

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017**

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the County Council
Kershaw County
Camden, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4 through 12 and 69, and the schedules of funding progress and employer contributions, schedule of County's proportionate share of net pension liability and the schedule of the County's contributions on pages 70-72 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 Kershaw County, South Carolina's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 non-major fund financial statements 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 November 27, 2017, on our consideration of Kershaw 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 Kershaw County, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017**

This section of Kershaw County’s annual financial report presents our discussion and analysis of the County’s financial performance during the fiscal year that ended June 30, 2017. Please read it in conjunction with the County’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of Kershaw County exceeded its liabilities at the close of the most recent fiscal year by \$53,568,930. Of this amount, \$15,772,649 may be used to meet the County’s ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, Kershaw County’s governmental funds reported combined ending fund balances of \$40,320,674.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$12,152,728.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – management’s discussion and analysis (this section), the basic financial statements, required supplementary information, a section that presents combining and individual fund statements and schedules for major and non-major governmental funds and fiduciary funds and a compliance section. 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.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the sewer system.
 - Fiduciary fund statements provide information about the financial relationships – like the collection of taxes for the Kershaw County School District – in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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.

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.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

Figure A-1. Major Features of Kershaw County's Government-wide and Fund Financial Statements

	<u>Fund Statements</u>		
	<u>Government Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Government-wide Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: the sewer system and EMS else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter.	All assets and liabilities, both short and long-term
Type of inflow/ outflow information	All revenue 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	All revenues and expenses during year, regardless of when cash is received or paid

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

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 they have changed. Net position – the difference between the County's assets and liabilities – is one way to measure the County's financial health, or position.

- 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.

The government-wide financial statements of the County are divided into two categories:

- Governmental activities – Most of the County's basic services are included here, such as public safety, parks and recreation, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The County charges fees to customers to help it cover the costs of the County's sewer system. This activity is included here.

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 bond covenants.
- The County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The County has three 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.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

- Proprietary funds—Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds—The County is the trustee, or fiduciary, for the Kershaw County School District's funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 and a statement of changes in 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's combined net position at the end of the current fiscal year are \$53,568,930 Looking at the net position and net expenses of governmental and business-type activities separately reflects that net position from governmental activities make up 74.9 % of total net position. The following table is a summary of the County's net position for 2017 compared to 2016.

Table 1
Kershaw County's Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and Other Assets	\$ 51,995,931	\$ 51,248,248	\$ 747,683
Capital Assets	72,859,029	67,499,739	5,359,290
Deferred Outflows	<u>6,595,657</u>	<u>2,672,825</u>	<u>3,922,832</u>
Total Assets and Deferred Outflows	<u>131,450,617</u>	<u>121,420,812</u>	<u>10,029,805</u>
Long Term Debt Outstanding	70,213,639	64,933,967	5,279,672
Other Liabilities	7,644,157	4,930,801	2,713,356
Deferred Inflows	<u>23,891</u>	<u>29,295</u>	<u>(5,404)</u>
Total Liabilities and Deferred Inflows	<u>77,881,687</u>	<u>69,894,063</u>	<u>7,987,624</u>
Net Investment in Capital Assets	58,804,176	52,806,211	5,997,965
Restricted	3,089,103	3,980,073	(890,970)
Unrestricted	<u>(8,324,349)</u>	<u>(5,259,535)</u>	<u>(3,064,814)</u>
Total Net Assets	<u>\$ 53,568,930</u>	<u>\$ 51,526,749</u>	<u>\$ 2,042,181</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

Change in Net Position. The following table is a summary of the County's change in net position for 2017.

**Table 2
Kershaw County's Changes in Net Position**

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	<u>Total</u>
Revenues:			
Program Fees:			
Fees, Fines and Charges for Services	\$ 8,218,653	\$ 3,559,472	\$ 11,778,125
Operating Grants	344,719	-	344,719
Capital Grants	685,085	1,989	687,074
General Revenues:			
Property Taxes	20,642,948	925,000	21,567,948
Miscellaneous	4,585,939	19,323	4,605,262
Unrestricted Investment Earnings	29,570	-	29,570
Intergovernmental Revenues	4,570,987	-	4,570,987
Gain on Disposition of Capital Assets	166,517	810	167,327
Transfer - Sewer Fund	<u>(1,377,892)</u>	<u>1,377,892</u>	<u>-</u>
 Total Revenues	 <u>37,866,526</u>	 <u>5,884,486</u>	 <u>43,751,012</u>
Expenses:			
General Government	13,796,887	-	13,796,887
Public Safety	11,683,927	-	11,683,927
Highways and Streets	1,766,591	-	1,766,591
Culture and Recreation	1,641,164	-	1,641,164
Sanitation	2,611,649	-	2,611,649
Other Objects	2,556,634	-	2,556,634
Capital Outlay	742,597	-	742,597
Interest and Other Charges	1,081,454	-	1,081,454
EMS	-	3,554,177	3,554,177
Sewer	<u>-</u>	<u>2,273,750</u>	<u>2,273,750</u>
 Total Expenses	 <u>35,880,903</u>	 <u>5,827,927</u>	 <u>41,708,830</u>
 Change in Net Position	 1,985,623	 56,559	 2,042,182
 Net Position, Beginning of Year	 <u>38,134,457</u>	 <u>13,392,291</u>	 <u>51,526,748</u>
 Net Position, End of Year	 <u>\$ 40,120,080</u>	 <u>\$ 13,448,850</u>	 <u>\$ 53,568,930</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

Governmental Activities

Governmental activities increased the County's net position by \$1,985,623. The increase in net position is largely attributable to an overall increase in revenue of about \$2,000,000 over last year.

Expenses for governmental activities increased from the previous year by \$7,728,421. All expense categories increased from last fiscal year.

Business-type Activities

Business-type activities had a net position increase of \$56,559. The increase in net position is attributable to an increase in revenue of \$161,013 and a decrease in expenses of \$1,595,310, which is attributable to EMS. Charges to customers for monthly usage of the sewer system did cover operating expenses for the current fiscal year, excluding depreciation.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As of the end of the fiscal year, governmental funds had a combined fund balance of \$40,320,674 which is a decrease of \$1,409,118 over last year. Of this balance, the General fund makes up \$14,005,754—roughly 34.7%. The General fund is the main operating fund for the County.

The Special Revenue fund makes up \$4,808,186 of the governmental fund balance. The special revenue funds are funds that are setup to account for specific revenues that are legally restricted to expenditure for a particular purpose. Funds such as inmate canteen, fire service, E-911 Tariff and grants make up these funds.

The Debt Service fund makes up \$305,216 of the governmental fund balance. The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the County is obligated in some manner for the payment.

The Capital Projects funds makes up \$21,201,518 of the governmental fund balance. The Capital Projects fund is used to record transactions for acquiring new buildings, equipment for new buildings and major equipment additions, including remodeling of, or additions to, existing facilities.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for the County sewer system at the end of the year was \$929,265. Unrestricted net position for the County Emergency Medical System at the end of the year was (\$981,533). Other factors regarding these funds were addressed in the discussion of the County's business-type activities.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are due to transfers and budget amendments made by County Administration. These transfers and budget amendments were made for various reasons including line item costs overruns, salary increases, supplemental appropriations, capital expenditures, etc. After considering these budget adjustments, actual revenues were \$660,924 over the budgeted amount. Actual expenses for the general fund were \$925,253 under budget, and other financing sources and uses were \$2,267,591 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, Kershaw County had invested \$72,859,029 (net of accumulated depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and sewer lines. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

This year's major capital asset additions included:

- Security upgrades at Sheriff's department, Courthouse and the Detention Center.
- Website and IT server upgrades.
- Emergency Operations Center audio/visual equipment.
- 911 radios.
- EMS cradle points.
- EMS equipment.

The County's capital assets are financed through a variety of sources including general obligation debt, lease purchases, revenue bonds, grants and property taxes.

Table 3
Kershaw County's Capital Assets

	Governmental Activities <u>2017</u>	Business -Type Activities <u>2017</u>	Total <u>2017</u>
Land	\$ 14,661,171	\$ 482,601	\$ 15,143,772
Construction in Progress	6,682,205	284,002	6,966,207
Building and Improvements	30,977,011	-	30,977,011
Office Equipment	3,122,939	-	3,122,939
Equipment	9,452,244	266,777	9,719,021
Vehicles	10,340,558	1,117,137	11,457,695
Infrastructure	27,690,866	24,406,205	52,097,071
Accumulated Depreciation	<u>(50,469,539)</u>	<u>(6,155,148)</u>	<u>(56,624,687)</u>
Total Net Assets	<u>\$ 52,457,455</u>	<u>\$ 20,401,574</u>	<u>\$ 72,859,029</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

Long-term Debt

At year-end, the County had \$70,095,664 in bonds, notes, capital leases, compensated absences, OPEB, and pension liability outstanding - as shown in Table 4. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

Of the \$34.5 million in debt, \$4,033,913 is backed by the full faith and credit of the County. The remainder of the debt represents bonds backed solely by specified revenue sources.

Bond Ratings

The County currently has an Aa2 bond rating from Moody's Investor Services and an AA- bond rating from Standard and Poor's.

Limitations on Debt

The State of South Carolina Code of Laws, as amended, limits the amount of general obligation debt the County can issue to no more than 8 percent of the assessed value of all taxable property within the County without the approval of a referendum presented to the citizens of Kershaw County. The current 8% debt limitation based on assessed value of \$222,855,636 for the County is \$17,828,451 of which the County has \$13,794,538 available.

**Table 4
Kershaw County's Outstanding Debt**

	Governmental Activities		Business -Type Activities		Total	
	2016	2017	2016	2017	2016	2017
General Obligation Bonds	\$ 1,690,000	\$ 690,000	\$ 8,440,585	\$ 7,450,511	\$ 10,130,585	\$ 8,140,511
IPR Bonds	25,404,000	25,083,000	-	-	25,404,000	25,083,000
Capital Lease	1,863,968	2,337,023	-	-	1,863,968	2,337,023
Compensated Absences	636,108	595,555	41,092	56,387	677,200	651,942
Net OPEB Obligation	1,434,274	1,618,549	-	-	1,434,274	1,618,549
Net Pension Liability	21,258,149	27,632,570	2,649,654	3,315,092	23,907,803	30,947,662
Post-Closure Costs	1,516,137	1,316,977	-	-	1,516,137	1,316,977
Total Net Assets	<u>\$ 53,802,636</u>	<u>\$ 59,273,674</u>	<u>\$ 11,131,331</u>	<u>\$ 10,821,990</u>	<u>\$ 64,933,967</u>	<u>\$ 70,095,664</u>

PROJECT AND STATUS

In July 2014, The County entered into a bond agreement through Kershaw County Facilities, Inc. Proceeds from the bond were designated to build and upgrade various facilities in the County. As of June 30, 2016, the County used funds to improve facilities at various recreation complexes around the county, upgrade the detention center and is partnering Central Carolina Technology College to build a new campus building in Kershaw County. The majority of these are included in Construction in Progress at year end as they were not completed.

In December 2015, The County entered into two additional bond agreement through Kershaw County Facilities, Inc. Proceeds from the bond were designated for capital additions and economic development in the County, and as of June 30, 2016, the County had not used any bond proceeds for these projects.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2017
(Continued)**

NEXT YEAR'S BUDGETS AND RATES

The 2017-2018 original budget for the Kershaw County General Fund is \$24,280,510.

The budget for the Kershaw County sewer system for the 2017-2018 fiscal year is \$1,768,610.

The budget for the Kershaw County EMS for the 2017-2018 fiscal year is \$3,405,594.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kershaw County Finance Office, 515 Walnut Street, Camden, South Carolina 29020.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2017

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 23,909,307	\$ 590	\$ 23,909,897
Restricted Cash	22,663,161	-	22,663,161
Accounts Receivable, Net	-	423,189	423,189
Taxes Receivable, Net	1,143,367	-	1,143,367
Other Receivables	3,710,929	109,469	3,820,398
Interfund Balances	(2,568,541)	2,568,541	-
Prepaid Expenses	35,919	-	35,919
Capital Assets:			
Land	14,661,171	482,601	15,143,772
Construction in Progress	6,682,205	284,002	6,966,207
Buildings and Improvements	30,977,011	-	30,977,011
Office Equipment	3,122,939	-	3,122,939
Equipment	9,452,244	266,777	9,719,021
Vehicles	10,340,558	1,117,137	11,457,695
Infrastructure	27,690,866	24,406,205	52,097,071
Less: Accumulated Depreciation	<u>(50,469,539)</u>	<u>(6,155,148)</u>	<u>(56,624,687)</u>
Total Capital Assets, Net of Depreciation	<u>52,457,455</u>	<u>20,401,574</u>	<u>72,859,029</u>
Deferred Outflows of Resources			
Prepaid Bond Refunding Costs	7,866	-	7,866
Prepaid Pension Cost	<u>5,786,267</u>	<u>801,524</u>	<u>6,587,791</u>
Total Deferred Outflows of Resources	<u>5,794,133</u>	<u>801,524</u>	<u>6,595,657</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 107,145,730</u>	<u>\$ 24,304,887</u>	<u>\$ 131,450,617</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2017
(Continued)

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 4,123,776	\$ -	\$ 4,123,776
Accrued Interest Payable	87,956	23,977	111,933
Customer Deposits Payable	-	6,470	6,470
Due to Agency Funds	2,067,978	-	2,067,978
Short-Term Bond Payable	1,334,000	-	1,334,000
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds	690,000	550,055	1,240,055
IPR Bonds	1,000,000	-	1,000,000
Capital Lease	694,719	-	694,719
Compensated Absences	117,974	56,387	174,361
Due in More Than One Year:			
General Obligation Bonds	-	6,900,456	6,900,456
IPR Bonds	24,083,000	-	24,083,000
Capital Lease	1,642,305	-	1,642,305
Compensated Absences	595,555	-	595,555
Net Pension Liability	27,632,570	3,315,092	30,947,662
Net OPEB Obligation	1,618,549	-	1,618,549
Closure and Post Closure Costs	1,316,977	-	1,316,977
	<u>67,005,359</u>	<u>10,852,437</u>	<u>77,857,796</u>
Total Liabilities			
Deferred Inflows of Resources			
Unavailable Revenues - Pension	<u>20,291</u>	<u>3,600</u>	<u>23,891</u>
Total Deferred Inflows of Resources	<u>20,291</u>	<u>3,600</u>	<u>23,891</u>
Total Liabilities and Deferred Inflows of Resources	<u>67,025,650</u>	<u>10,856,037</u>	<u>77,881,687</u>
Net Position			
Net Investment in Capital Assets	45,853,113	12,951,063	58,804,176
Restricted for:			
Debt Service	663,894	550,055	1,213,949
Capital Projects	1,788,703	-	1,788,703
Victims Assistance	86,451	-	86,451
Unrestricted	<u>(8,272,081)</u>	<u>(52,268)</u>	<u>(8,324,349)</u>
Total Net Position	<u>\$ 40,120,080</u>	<u>\$ 13,448,850</u>	<u>\$ 53,568,930</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 13,796,887	\$ 3,018,519	\$ 232,913	\$ 597,496	\$ (9,947,959)	\$ -	\$ (9,947,959)
Public Safety	11,683,927	465,670	65,989	87,589	(11,064,679)	-	(11,064,679)
Sanitation	2,611,649	2,302,219	-	-	(309,430)	-	(309,430)
Highways and Streets	1,766,591	2,117,288	45,817	-	396,514	-	396,514
Other Objects	2,556,634	-	-	-	(2,556,634)	-	(2,556,634)
Culture and Recreation	1,641,164	314,957	-	-	(1,326,207)	-	(1,326,207)
Capital Outlay	742,597	-	-	-	(742,597)	-	(742,597)
Interest and Other Charges	1,081,454	-	-	-	(1,081,454)	-	(1,081,454)
Total Governmental Activities	35,880,903	8,218,653	344,719	685,085	(26,632,446)	-	(26,632,446)
Business-Type Activities:							
Emergency Medical Services	3,554,177	1,794,285	-	1,989	-	(1,757,903)	(1,757,903)
Sewer	2,273,750	1,765,187	-	-	-	(508,563)	(508,563)
Total Business-Type Activities	5,827,927	3,559,472	-	1,989	-	(2,266,466)	(2,266,466)
Total Primary Government	\$ 41,708,830	\$ 11,778,125	\$ 344,719	\$ 687,074	(26,632,446)	(2,266,466)	(28,898,912)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					11,787,313	-	11,787,313
Property Taxes, Levied for Debt Service					1,562,931	-	1,562,931
Public Service Taxes					1,327,474	-	1,327,474
Sales and Use Tax					4,256,714	-	4,256,714
Payments in Lieu of Taxes					1,708,516	925,000	2,633,516
Miscellaneous					4,585,939	19,323	4,605,262
Unrestricted Investment Earnings					29,570	-	29,570
Intergovernmental Revenues					4,570,987	-	4,570,987
Gain on Disposition of Capital Assets					166,517	810	167,327
Transfers - Sewer Fund					(1,377,892)	1,377,892	-
Total General Revenues					28,618,069	2,323,025	30,941,094
Change in Net Position					1,985,623	56,559	2,042,182
Net Position, Beginning of Year					38,134,457	13,392,291	51,526,748
Net Position, End of Year					\$ 40,120,080	\$ 13,448,850	\$ 53,568,930

The notes to the financial statements are an integral part of these statements.

**KERSHAW COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Special Revenue Fund	Kershaw Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 23,909,307	\$ -	\$ -	\$ -	\$ 23,909,307
Restricted Cash	-	659,982	21,505,682	497,497	22,663,161
Receivables:					
Property Taxes, Net	914,265	99,438	-	129,664	1,143,367
Intergovernmental	900,835	1,048,873	-	1,063,266	3,012,974
Other	126,921	108,019	463,015	-	697,955
Due From Other Funds	-	2,993,182	-	1,082,434	4,075,616
Prepaid Expenses	35,919	-	-	-	35,919
Total Assets	<u>\$ 25,887,247</u>	<u>\$ 4,909,494</u>	<u>\$ 21,968,697</u>	<u>\$ 2,772,861</u>	<u>\$ 55,538,299</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 4,123,776	\$ -	\$ -	\$ -	\$ 4,123,776
Compensated Absences	108,316	9,658	-	-	117,974
Short-term Bond Payable	-	-	-	1,334,000	1,334,000
Due to Other Funds	6,926,470	-	835,585	950,080	8,712,135
Total Liabilities	<u>11,158,562</u>	<u>9,658</u>	<u>835,585</u>	<u>2,284,080</u>	<u>14,287,885</u>
Deferred Inflows					
Unavailable Revenues - Property Taxes	722,931	90,003	-	115,159	928,093
Unavailable Revenues - Grants	-	1,647	-	-	1,647
Total Deferred Inflows	<u>722,931</u>	<u>91,650</u>	<u>-</u>	<u>115,159</u>	<u>929,740</u>
Fund Balances					
Nonspendable for Prepays	35,919	-	-	-	35,919
Restricted for:					
Debt Service	8,215	350,463	-	305,216	663,894
Capital Projects	-	2,092,867	21,133,112	68,406	23,294,385
Victims Assistance	86,451	-	-	-	86,451
Committed for:					
Library	120,736	-	-	-	120,736
Recreation	484,409	-	-	-	484,409
Public Works	149,000	-	-	-	149,000
Capital Trial	250,000	-	-	-	250,000
Budget Reserves	718,296	-	-	-	718,296
Assigned	-	2,364,856	-	-	2,364,856
Unassigned	12,152,728	-	-	-	12,152,728
Total Fund Balances	<u>14,005,754</u>	<u>4,808,186</u>	<u>21,133,112</u>	<u>373,622</u>	<u>40,320,674</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 25,887,247</u>	<u>\$ 4,909,494</u>	<u>\$ 21,968,697</u>	<u>\$ 2,772,861</u>	<u>\$ 55,538,299</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balances - Governmental Funds (Exhibit C) \$ 40,320,674

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

Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property Taxes	928,093
Other	1,647

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$102,926,994 and the accumulated depreciation is \$50,469,539 52,457,455

The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan is not reported as a liability in the governmental funds. (1,618,549)

Accrued interest on bonds in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds. (87,956)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.
Pension liability (27,632,570)

Deferred outflows and inflows or resources related to pension are applicable to future periods and ,therefore, are not reported in the funds

Deferred outflows of resources related to pensions of \$5,786,267 = \$5,328,265 deferred outflows of resources pension expense (from pension schedule)	
+ \$458,002 deferred outflow of 2017 employer contributions related to pensions	5,786,267

Deferred inflows of resources related to pensions (from pension schedule)	(20,291)
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Long-term liabilities, including debt premiums and deferred refunding charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

General Obligation Bonds - Current	(690,000)
IPR Bonds	(24,083,000)
IPR Bonds - Current	(1,000,000)
Capital Lease	(1,642,305)
Capital Lease - Current	(694,719)
Deferred Refunding Charges, Net of Accumulated Amortization of \$32,578	7,866
Compensated Absences	(595,555)
Closure and Post Closure Costs	<u>(1,316,977)</u>

Total Net Position - Governmental Activities (Exhibit A) \$ 40,120,080

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Kershaw Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 14,962,632	\$ 3,220,140	\$ -	\$ 2,332,767	\$ 20,515,539
Licenses, Permits and Fees	4,353,197	2,511,202	-	-	6,864,399
Intergovernmental Revenues	2,850,435	1,720,552	-	-	4,570,987
Charges for Services	668,462	-	-	-	668,462
Fines and Forfeits	476,003	195,632	-	14,465	686,100
Miscellaneous	222,944	2,004,996	3,122,441	322,496	5,672,877
	<u>23,533,673</u>	<u>9,652,522</u>	<u>3,122,441</u>	<u>2,669,728</u>	<u>38,978,364</u>
Expenditures					
Current:					
General Government	8,902,636	1,314,084	-	-	10,216,720
Public Safety	8,002,945	1,545,901	-	-	9,548,846
Highways and Streets	1,538,302	27,690	-	-	1,565,992
Culture and Recreation	1,459,766	-	-	-	1,459,766
Sanitation	-	2,491,049	-	-	2,491,049
Other Objects	2,193,169	363,465	-	-	2,556,634
Capital Outlay	152,463	4,578,912	4,411,113	325,212	9,467,700
Debt Service:					
Principal	8,215	724,679	-	1,321,000	2,053,894
Interest and Other Charges	-	17,838	-	1,054,495	1,072,333
	<u>22,257,496</u>	<u>11,063,618</u>	<u>4,411,113</u>	<u>2,700,707</u>	<u>40,432,934</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>1,276,177</u>	<u>(1,411,096)</u>	<u>(1,288,672)</u>	<u>(30,979)</u>	<u>(1,454,570)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	42,409	107,325	-	-	149,734
Cost of Bond Issuance	-	-	(5,441)	(14,503)	(19,944)
Capital Lease Proceeds	-	1,264,292	-	-	1,264,292
Interest Income	-	-	29,262	-	29,262
Transfer to Proprietary Fund	-	(915,165)	-	(462,727)	(1,377,892)
Transfer from General Fund	-	2,000,000	-	-	2,000,000
Transfer to Special Revenue Fund	(2,000,000)	-	-	-	(2,000,000)
	<u>(1,957,591)</u>	<u>2,456,452</u>	<u>23,821</u>	<u>(477,230)</u>	<u>45,452</u>
Net Change in Fund Balances	(681,414)	1,045,356	(1,264,851)	(508,209)	(1,409,118)
Fund Balances, Beginning of Year	<u>14,687,168</u>	<u>3,762,830</u>	<u>22,397,963</u>	<u>881,831</u>	<u>41,729,792</u>
Fund Balances, End of Year	<u>\$ 14,005,754</u>	<u>\$ 4,808,186</u>	<u>\$ 21,133,112</u>	<u>\$ 373,622</u>	<u>\$ 40,320,674</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Total Net Change In Fund Balances - Governmental Funds (Exhibit E) \$ (1,409,118)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$8,725,103 exceeds depreciation expense of \$3,238,217 in the period.	5,486,886
The gain on disposal of assets has been included in the Statement of Activities, whereas in the governmental funds, proceeds from disposal of assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the carrying amount of the assets disposed.	(40,351)
Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(1,264,292)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,321,000
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	791,237
Deferred refunding charges are not recognized by the governmental funds; but are amortized over the life of the refunding debt in the Statement of Activities. This amount is the amortization for the current year.	(6,740)
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue increased in the current year.	127,409
In the Statement of Activities, certain operating expenses -compensated absences- are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amount earned exceeded the vacation used by this amount.	5,889
In the Statement of Activities, an amount is expensed for closure and post-closure costs. Such costs are not accrued in the governmental funds.	199,160
The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan, is not reported as a liability in the governmental funds. This amount represents the net change in this liability during the current year.	(184,275)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased in the current year.	(60,723)
Governmental funds report County's pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
County's pension contributions	\$ (4,725,103)
Cost of benefits earned net of employee contributions (pension benefit from SCRS benefit schedule)	<u>1,744,644</u> <u>(2,980,459)</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ 1,985,623

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Fund</u>	<u>Enterprise Fund</u> <u>Emergency</u> <u>Medical Services</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 590	\$ -	\$ 590
Accounts Receivable, Net	142,823	280,366	423,189
Other Receivables	109,469	-	109,469
Due from General Fund	<u>1,594,984</u>	<u>973,557</u>	<u>2,568,541</u>
 Total Current Assets	 <u>1,847,866</u>	 <u>1,253,923</u>	 <u>3,101,789</u>
Non-Current Assets:			
Capital Assets:			
Land	465,301	17,300	482,601
Construction in Progress	284,002	-	284,002
Building and Building Improvements	-	-	-
Sewer System Infrastructure	24,323,038	83,167	24,406,205
Equipment	210,149	56,628	266,777
Vehicles	-	1,117,137	1,117,137
Less: Accumulated Depreciation	<u>(5,820,107)</u>	<u>(335,041)</u>	<u>(6,155,148)</u>
 Total Non-Current Assets	 <u>19,462,383</u>	 <u>939,191</u>	 <u>20,401,574</u>
Deferred Outflows of Resources			
Prepaid Pension Cost	<u>109,596</u>	<u>691,928</u>	<u>801,524</u>
 Total Assets and Deferred Outflows of Resources	 <u>21,419,845</u>	 <u>2,885,042</u>	 <u>24,304,887</u>
Liabilities			
Current Liabilities:			
Accrued Interest Payable	23,977	-	23,977
Customer Deposits Payable	6,470	-	6,470
Compensated Absences	9,622	46,765	56,387
Current Portion of General Obligation Bonds Payable	<u>550,055</u>	<u>-</u>	<u>550,055</u>
 Total Current Liabilities	 <u>590,124</u>	 <u>46,765</u>	 <u>636,889</u>
Long-term Liabilities:			
Net Pension Liability	437,616	2,877,476	3,315,092
General Obligation Bonds Payable	<u>6,900,456</u>	<u>-</u>	<u>6,900,456</u>
 Total Long-term Liabilities	 <u>7,338,072</u>	 <u>2,877,476</u>	 <u>10,215,548</u>
Deferred Inflows of Resources			
Unavailable Revenue - Pension	<u>457</u>	<u>3,143</u>	<u>3,600</u>
 Total Deferred Inflows of Resources	 <u>457</u>	 <u>3,143</u>	 <u>3,600</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>7,928,653</u>	 <u>2,927,384</u>	 <u>10,856,037</u>
Net Position			
Net Investment in Capital Assets	12,011,872	939,191	12,951,063
Restricted for Debt Service	550,055	-	550,055
Unrestricted	<u>929,265</u>	<u>(981,533)</u>	<u>(52,268)</u>
 Total Net Position	 <u>\$ 13,491,192</u>	 <u>\$ (42,342)</u>	 <u>\$ 13,448,850</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Fund</u>	<u>Enterprise Fund</u> <u>Emergency</u> <u>Medical Services</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
Operating Revenues			
Charges for Services	\$ 1,574,562	\$ 1,794,285	\$ 3,368,847
Impact Fees and Other Charges	190,625	-	190,625
Taxes - Fee in Lieu	-	925,000	925,000
Miscellaneous	<u>250</u>	<u>19,073</u>	<u>19,323</u>
Total Revenues	<u>1,765,437</u>	<u>2,738,358</u>	<u>4,503,795</u>
Operating Expenses			
Salaries and Benefits	428,044	2,484,204	2,912,248
Contractual Services	206,451	115,892	322,343
Office Supplies	63,801	213,620	277,421
Repairs and Maintenance	389,085	20,044	409,129
Fuel	9,860	49,248	59,108
Utilities and Telephone	285,313	38,952	324,265
Uniforms	-	27,108	27,108
Engineering	19,462	-	19,462
Postage	8,355	-	8,355
Fleet Maintenance	14,875	53,602	68,477
Equipment and Supplies	-	49,707	49,707
Rent	-	16,800	16,800
Bad Debt	-	129,085	129,085
Insurance	-	9,692	9,692
Training	-	14,038	14,038
Miscellaneous	55,325	3,943	59,268
Retirement System Pension Expense	17,420	107,005	124,425
Depreciation	<u>568,549</u>	<u>221,237</u>	<u>789,786</u>
Total Operating Expenses	<u>2,081,314</u>	<u>3,554,177</u>	<u>5,635,491</u>
Operating Income (Loss)	<u>(315,877)</u>	<u>(815,819)</u>	<u>(1,131,696)</u>
Non-Operating Income (Expense)			
Gain on Sale of Capital Assets	-	810	810
Bond Issuance Costs	(14,911)	-	(14,911)
Interest Expense	<u>(177,525)</u>	<u>-</u>	<u>(177,525)</u>
Total Non-Operating Income (Expense)	<u>(192,436)</u>	<u>810</u>	<u>(191,626)</u>
Income Before Contributions and Transfers	<u>(508,313)</u>	<u>(815,009)</u>	<u>(1,323,322)</u>
Transfer from Special Revenue Fund	640,463	274,702	915,165
Transfer from Debt Service Fund	<u>462,727</u>	<u>-</u>	<u>462,727</u>
Total Transfers	<u>1,103,190</u>	<u>274,702</u>	<u>1,377,892</u>
Capital Contributions	<u>-</u>	<u>1,989</u>	<u>1,989</u>
Change in Net Position	594,877	(538,318)	56,559
Net Position, Beginning of Year	<u>12,896,315</u>	<u>495,976</u>	<u>13,392,291</u>
Net Position, End of Year	<u>\$ 13,491,192</u>	<u>\$ (42,342)</u>	<u>\$ 13,448,850</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 4,402,557
Cash Paid to Suppliers	(1,809,032)
Cash Paid for Salaries and Employee Benefits	(2,896,953)
Customer Deposits Refunded	<u>(110)</u>
Net Cash (Used) by Operating Activities	<u>(303,538)</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers to Other Funds	1,377,892
Decrease in Due from Other Funds	<u>811,155</u>
Net Cash Provided by Non-Capital Financing Activities	<u>2,189,047</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(702,541)
Principal Paid on Revenue Bond Maturities	(1,071,713)
Debt Proceeds Received	81,639
Bond Issuance Costs	(14,911)
Gain on Sale of Capital Assets	810
Capital Contributions	1,989
Interest Paid	<u>(180,782)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,885,509)</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>590</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 590</u></u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017
(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	Enterprise Funds
Operating Income (Loss)	\$ (1,131,696)
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	789,786
(Increase) in Accounts Receivable	(22,945)
(Increase) in Other Receivables	(78,293)
(Increase) in Deferred Outflows	(539,875)
(Decrease) in Deferred Inflows	(1,138)
Increase in Net Pension Liability	665,438
(Decrease) in Customer Deposits	(110)
Increase in Compensated Absences	<u>15,295</u>
Net Cash (Used) by Operating Activities	<u>\$ (303,538)</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 4,187,947	\$ 2,191,203
Taxes Receivable, Net	3,565,545	-
Other Receivables	42,774	-
Due from General Fund	<u>2,067,981</u>	<u>-</u>
Total Assets	<u><u>9,864,247</u></u>	<u><u>2,191,203</u></u>
Liabilities		
Due to Other Taxing Units	6,368,576	-
Due to Solicitor	224,107	-
Due to KC Clean Commission	<u>14,169</u>	<u>-</u>
Total Liabilities	<u>6,606,852</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>3,257,395</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>2,191,203</u>
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ 2,191,203</u></u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS

For the Fiscal Year Ended June 30, 2017

	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Master in Equity	Sheriff Drug Trust	Total
Additions							
Inmate Deposits	\$ 273,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 273,415
Land Sales	-	2,029,019	-	-	-	-	2,029,019
Bonds, Fines and Fees	-	-	1,909,320	5,956,433	-	-	7,865,753
Escrow Funds	-	-	-	-	2,259,105	-	2,259,105
Seizures	-	-	-	-	-	53,056	53,056
Interest	-	-	95	1,462	-	-	1,557
Total Additions	<u>273,415</u>	<u>2,029,019</u>	<u>1,909,415</u>	<u>5,957,895</u>	<u>2,259,105</u>	<u>53,056</u>	<u>12,481,905</u>
Deductions							
Inmate Withdrawals	279,304	-	-	-	-	-	279,304
Disbursement of Sales Proceeds	-	1,893,976	-	-	-	-	1,893,976
Disbursement of Bonds, Fines and Fees	-	-	1,918,270	5,890,432	-	-	7,808,702
Disbursement of Escrow Funds	-	-	-	-	2,228,707	64,626	2,293,333
Total Deductions	<u>279,304</u>	<u>1,893,976</u>	<u>1,918,270</u>	<u>5,890,432</u>	<u>2,228,707</u>	<u>64,626</u>	<u>12,275,315</u>
Change to Fiduciary Net Position	<u>(5,889)</u>	<u>135,043</u>	<u>(8,855)</u>	<u>67,463</u>	<u>30,398</u>	<u>(11,570)</u>	<u>206,590</u>
Net Position, Beginning of Year	<u>42,722</u>	<u>905,952</u>	<u>241,293</u>	<u>664,605</u>	<u>12,000</u>	<u>118,041</u>	<u>1,984,613</u>
Net Position, End of Year	<u>\$ 36,833</u>	<u>\$ 1,040,995</u>	<u>\$ 232,438</u>	<u>\$ 732,068</u>	<u>\$ 42,398</u>	<u>\$ 106,471</u>	<u>\$ 2,191,203</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Kershaw County, South Carolina, operates under the Council Administrator form of government as provided by the Home Rule Act of 1975. The County provides the following services: general administrative services, public safety, health and social services, planning and zoning, culture and recreation, unpaved road maintenance, sanitation, sewer (provided to West Wateree and East Camden areas only) and public improvements.

The financial statements of Kershaw 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the County's accounting policies.

A. Reporting Entity

In evaluating how to define Kershaw County, South Carolina, for financial reporting purposes, management has considered all potential component units. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is a fiscal dependency by the organization on the County

Based on the aforementioned criteria Kershaw County has a component unit.

Blended Component Unit: Kershaw County Facilities, Inc. (KCF) (the "Corporation") was created by Kershaw County as a Nonprofit Corporation under the laws of the State of South Carolina for the specific purpose of providing support for the capital projects of the County. The board members are appointed by County Council. Because the Corporation exclusively benefits the County, the Corporation's financial information is blended with that of the County in the basic financial statements. Separate financial statements for Kershaw County Facilities, Inc. are not issued.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the County, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect cost.

Fund Financial Statements

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its asset, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

The funds of the County are described below

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Special Revenue Fund, and Kershaw Facilities Capital Project Fund are the County's major governmental funds.

General Fund

The *General Fund*, a major fund, is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general government, public safety, sanitation, highways and streets and other departments of the County are paid through the General Fund.

Special Revenue Fund

The *Special Revenue Fund*, a major fund, is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related cost of the County other than debt service payments made by enterprise funds.

Capital Projects Fund

The *Capital Projects Fund* is used to account for resources for the acquisition or construction of specific capital projects or items.

The *Kershaw County Facilities Project Fund*, a major fund, is used to build designated capital projects for the County approved by Council.

Proprietary Fund

Proprietary Fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the County's Proprietary Fund:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Enterprise Fund

The *Enterprise Fund* is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector.

The Sewer Fund is one of the County's enterprise fund and is used to account for the financial transactions related to the sewer service operations for the residents of the West Wateree and East Camden areas of the County. The Sewer Fund is a major fund.

The Emergency Medical Services Fund is second of the County's enterprise fund and is used to account for the financial transactions related to the emergency medical services provided to the residents of the County. The Emergency Medical Services Fund is a major fund.

Fiduciary Funds

Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds consist of Agency Funds and Trust Funds.

Agency Funds

Agency Funds are used to account for assets held by the County in a trustee capacity by the County and do not involve measurement of results of operations. The County has four Agency Funds as follows:

School Fund. The School Fund accounts for the School District funds, which are collected and maintained by the Kershaw County Treasurer.

Solicitor's Fund. The Solicitor's Fund accounts for the operational activities of the regional Solicitor for Richland and Kershaw Counties.

Municipal Fund. The Municipal Fund accounts for the property taxes that the County collects for the County of Camden.

Fire District Fund. The Fire District Fund accounts for the property taxes that the County collects for the Mt. Pisgah and Lugoff fire districts.

Trust Funds

Trust Funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County utilizes the following Trust Funds.

Detention Center. The Detention Center Trust Fund is used to account for the financial resources held by the County for inmates of the Kershaw County Detention Center.

Land Sale. The Land Sale Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public as a result of the Treasurer's tax sale activities.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Magistrate. The Magistrate Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on Magistrate Court activities.

Clerk of Court/Family Court. The Clerk of Court/Family Court Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on activities of the court.

Master-in-Equity. The Master-in-Equity Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on activities of the Master-in-Equity.

Sheriff Drug Trust. The Sheriff Drug Trust Fund is used to account for drug seizure money held by the County until the cases are heard and a determination is made if the money belongs to an individual or the County.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the Proprietary Fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the County finances and meets the cash flow of its Proprietary Fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, regardless of the timing of 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Items such as property taxes are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All Proprietary Funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and amounts in demand deposits.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the County must operate within existing state statutes of the State of South Carolina, which authorizes what the County may and may not invest in.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise fees, state shared revenue and grants. Property taxes receivables are carried at cost less an allowance for uncollectible. Business-type activities report sewer and medical services as their major receivables.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise fees, state shared revenue and grants if they are both measurable and available. Non-exchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary Fund material receivables consist of all revenues earned at year-end and not yet received. Sewer and medical services accounts receivable compose the majority of Proprietary fund receivables. All trade and property tax receivables are recorded net of any allowances for uncollectibles.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit periods beyond June 30, 2017.

H. Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2002. The County maintains a capitalization policy of \$10,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized for general capital assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Buildings	25-50 years
Improvements	10-50 years
Furniture and Equipment	3-20 years
Vehicles	3-5 years
Sewer System	10-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in Proprietary Fund operations are accounted for the same as in the government-wide statements.

I. Short-term Inter-fund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

J. Compensated Absences

The County reports Compensated Absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The County’s policies regarding vacation and sick leave are based on years of service, with a total of 12 to 18 days of vacation and 12 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 45 days for vacation. The entire compensated absence liability for unused vacation is reported on the government-wide financial statements.

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the Proprietary Fund, the entire amount of compensated absences is reported as a fund liability.

K. Deferred Outflows of Resources

In addition to assets, The County reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The County only has two deferred outflows: the first is a deferred amount arising from the refunding of enterprise fund bonds in a previous year. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The second item is prepaid cost related to the GASB 68 pension liability.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

L. Deferred Inflows of Resources

In addition to liabilities, The County reports deferred inflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The County has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the County's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grant revenue are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

M. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in Governmental Fund operations or Proprietary Fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Bond issuance costs are expensed in the fund, in the year incurred. The long-term debt consists primarily of bonds payable, capital leases, accrued compensated absences, post-closure costs, OPEB and pension liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for Proprietary Funds is the same in the fund statements as it is in the government-wide statements.

N. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets. This consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position. All other net position that do not meet the definition of "restricted" or "net investment in capital assets" are classified as unrestricted.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

The County classifies governmental fund balances as follows:

- Non-spendable—Includes amounts that inherently cannot be spent either because they are not in a spendable form (i.e., prepaids, inventories, long-term loan receivables, etc.) or because they are legally or contractually required to be maintained intact (i.e., principal on an endowment, etc.).
- Restricted—Includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.
- Committed—Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by County Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned—Includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed, designated by Council before the end of the reporting period.
- Unassigned—Includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

The County generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

O. Operating and Non-Operating Revenues and Expenses

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for the Proprietary Fund include costs of sales, administrative expenses and depreciation of capital assets. All other expenses are reported as non-operating expenses.

P. Capital Contributions

Contributions of capital on government-wide and enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Inter-fund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

S. Statement of Cash Flows

For purposes of the statement of cash flows, the County's Proprietary Fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits, treasury bills and money market funds.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

T. Pensions

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

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be recovered. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$52,690,820 of the County's bank balance of \$54,016,680, which has a carrying value of \$52,949,360 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the County's name	<u>\$ 52,690,820</u>
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Investments

As of June 30, 2017, the County had the following investment and maturity, which is included in cash and cash equivalents:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Yr.</u>
Repurchase Agreement	Unrated	\$23,717,347	\$23,717,347

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 for Investments- Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2017, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk for Investments – The County places no limit on the amount invested in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 3. Property Taxes

The County assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the County, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the County is taken from the records of the Kershaw County Auditor. Taxes are levied in October and are due and payable at that time. Property taxes are due by January 15, and penalties are imposed as follows: 3% prior to February 1, an additional 7% prior to March 15, and an additional 5% after March 15.

A summary of outstanding property taxes at June 30, 2017, is presented below.

	<u>Governmental Fund Type</u>			<u>Fiduciary Fund Type</u>	
	General Fund	Special Revenue Fund	Debt Service Fund	Agency Fund	Total
Taxes Receivable	\$ 1,343,935	\$ 146,170	\$ 190,601	\$ 5,241,216	\$ 6,921,922
Less: Allowance for Doubtful Accounts	(429,670)	(46,732)	(60,937)	(1,675,671)	(2,213,010)
Net Taxes Receivable	<u>\$ 914,265</u>	<u>\$ 99,438</u>	<u>\$ 129,664</u>	<u>\$ 3,565,545</u>	<u>\$ 4,708,912</u>

Note 4. Other Receivables

Other governmental receivables at June 30, 2017, consist of intergovernmental revenues, franchise fees, magistrate fees, DSS fees and landfill fees.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2017, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 6,926,471
Special Revenue Fund	2,993,182	-
Capital Projects Fund	-	1,785,667
Debt Service Fund	1,082,434	-
Proprietary Fund - Sewer	1,594,984	-
Proprietary Fund - EMS	973,557	-
Agency Fund	<u>2,067,981</u>	<u>-</u>
 Totals	 <u>\$ 8,712,138</u>	 <u>\$ 8,712,138</u>

The General Fund payable is a result of various transactions for the Special Revenue Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund and Agency Fund. The Capital Projects Fund payable is the result of the General Fund paying for capital projects.

Note 6. Capital Assets

Capital Asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities

Non-depreciable Assets:	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u>
Land	\$ 12,150,811	\$ 61,020	\$ -	\$ 2,449,340	\$ 14,661,171
Construction in Progress	7,017,510	6,816,621	(8,262)	(7,143,664)	6,682,205
Depreciable Assets:					
Buildings and Improvements	27,892,366	-	-	3,084,645	30,977,011
Office Equipment	2,189,150	198,426	-	735,363	3,122,939
Equipment	8,861,149	574,249	-	16,846	9,452,244
Vehicles	10,308,603	811,625	(779,670)	-	10,340,558
Infrastructure	<u>26,570,234</u>	<u>263,162</u>	<u>-</u>	<u>857,470</u>	<u>27,690,866</u>
Totals	<u>94,989,823</u>	<u>8,725,103</u>	<u>(787,932)</u>	<u>-</u>	<u>102,926,994</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(11,384,725)	(891,708)	-	-	(12,276,433)
Office Equipment	(1,073,950)	(261,673)	-	-	(1,335,623)
Equipment	(7,292,023)	(698,011)	-	-	(7,990,034)
Vehicles	(8,689,184)	(703,730)	747,581	-	(8,645,333)
Infrastructure	<u>(19,539,021)</u>	<u>(683,095)</u>	<u>-</u>	<u>-</u>	<u>(20,222,116)</u>
Totals	<u>(47,978,903)</u>	<u>(3,238,217)</u>	<u>747,581</u>	<u>-</u>	<u>(50,469,539)</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,010,920</u>	<u>\$ 5,486,886</u>	<u>\$ (40,351)</u>	<u>\$ -</u>	<u>\$ 52,457,455</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Business-type Activities

Sewer Fund

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Non-depreciable Assets:				
Land	\$ 465,301	\$ -	\$ -	\$ 465,301
Construction in Progress	86,557	197,445	-	284,002
Depreciable Assets:				
Sewer System	24,323,038	-	-	24,323,038
Equipment	<u>210,149</u>	<u>-</u>	<u>-</u>	<u>210,149</u>
Totals	<u>25,085,045</u>	<u>197,445</u>	<u>-</u>	<u>25,282,490</u>
Less: Accumulated Depreciation				
Sewer System	(5,120,732)	(549,020)	-	(5,669,752)
Equipment	<u>(130,826)</u>	<u>(19,529)</u>	<u>-</u>	<u>(150,355)</u>
Totals	<u>(5,251,558)</u>	<u>(568,549)</u>	<u>-</u>	<u>(5,820,107)</u>
Business-type Activities				
Capital Assets,				
Net	<u>\$ 19,833,487</u>	<u>\$ (371,104)</u>	<u>\$ -</u>	<u>\$ 19,462,383</u>

Emergency Medical Services Fund

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Non-depreciable Assets:				
Land	\$ 17,300	\$ -	\$ -	\$ 17,300
Depreciable Assets:				
Building and Improvements	83,167	-	-	83,167
Equipment	<u>669,669</u>	<u>505,096</u>	<u>(1,000)</u>	<u>1,173,765</u>
Totals	<u>770,136</u>	<u>505,096</u>	<u>(1,000)</u>	<u>1,274,232</u>
Less: Accumulated Depreciation				
Building and Improvements	(12,001)	(19,906)	-	(31,907)
Equipment	<u>(102,802)</u>	<u>(201,332)</u>	<u>1,000</u>	<u>(303,134)</u>
Totals	<u>(114,803)</u>	<u>(221,238)</u>	<u>1,000</u>	<u>(335,041)</u>
Business-type Activities				
Capital Assets,				
Net	<u>\$ 655,333</u>	<u>\$ 283,858</u>	<u>\$ -</u>	<u>\$ 939,191</u>

Depreciation expense was charged to governmental activities as follows:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

General Government	\$	1,308,578
Highways and Streets		200,575
Public Safety		1,223,035
Sanitation		319,059
Culture and Recreation		186,970
Governmental Activities		
Total Depreciation Expense	\$	3,238,217

Depreciation expense charged to separately identifiable business-type activities is evident on the face of the fund financial statement and, therefore, is not included here.

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2017:

	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
<i>Governmental Activities</i>			
Bethune Fire	\$ 68,761	\$ 68,761	\$ -
Elgin Library	28,804	28,804	-
Governors Hill Waterline	802,330	802,330	-
Central Carolina	3,165,698	7,855,787	4,690,089
KC West	670,847	673,134	2,287
Woodward Park	23,913	24,807	894
Tremble Branch	485,323	587,211	101,888
Whitehead Road	212,452	684,403	471,951
Airport Terminal Remodel	80,701	80,701	-
Kings Grant/Azalea Drive	188,725	329,399	140,674
Spitzer Street/Anderson Court	17,921	533,000	515,079
Heritage Pt-2 Shell Bldgs	119,084	2,570,578	2,451,494
Gov Hill Lot 12 Shell Bldg	22,125	22,125	-
FAA 23 - Drainage	176,425	176,425	-
2 - Pierce Freightliner Trucks	566,414	566,414	-
Pecan Orchard Project	31,382	497,000	465,618
KC West Entrance	21,300	21,300	-
Total	\$ 6,682,205	\$ 15,522,179	\$ 8,839,974
	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
<i>Business-type Activities</i>			
<i>Sewer</i>			
Chlorine Chamber Building	\$ 284,002	\$ 738,940	\$ 454,938

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2017, are as follows:

Accounts Payable	\$	2,551,869
Accrued Payroll, Withholdings, Fringe and Benefits		<u>1,571,907</u>
Total Accounts Payable and Accrued Expenses -		
Governmental Activities	\$	<u><u>4,123,776</u></u>

Note 8. Short-term Debt

The following is a summary of changes in short-term debt for the year ended June 30, 2017:

	Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>
<i>Governmental Activities:</i>				
G.O. Bond Taxable Series 2017	\$ <u>1,280,000</u>	\$ <u>1,334,000</u>	\$ <u>(1,280,000)</u>	\$ <u>1,334,000</u>

Short-term debt was used to pay principal and interest payments related to the 2016 Bond. This bond is applicable to the County's 8% debt limit.

Note 9. Long-term Debt

Governmental Activities:

As of June 30, 2017, the governmental long-term debt consisted of general obligation bonds, revenue bonds, capital leases, post-closure costs and compensated absences.

General Obligation Bonds

On August 11, 2010, the County issued Series 2010 General Obligation Refunding and Improvement Bonds totaling \$4,625,000 with principal payments due each March 1 and semi-annual interest payments due March 1 and September 1 of each year. The bonds range in maturity dates from 2011 to 2018. The interest rate ranges from 1.00% to 2.20%. The outstanding principal as of June 30, 2017, was \$690,000. This bond is applicable to the County's 8% debt limit.

Installment Revenue Bonds

The County has entered into a facilities agreement with Kershaw Facilities Corporation, Inc. The agreement permits the County to construct, renovate and operate the facilities in exchange for the payment of the principal and interest by the County, as such amounts come due, on the Installment Purchase Revenue Bonds (IPR Bonds) issued by the Kershaw Facilities Corporation, Inc. Below is a summary of the IPR Bonds issued by the Corporation.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

On July 2, 2014, the Kershaw Facilities Corporation, Inc. issued Series 2014 Installment Purchase Revenue Bonds totaling \$8,500,000 with principal payments due each June 1 and semi-annual interest payments due March 1 and September 1 of each year. The bonds range in maturity dates from 2016 to 2024. The interest rate ranges from 3.00% to 4.25%. The outstanding principal as of June 30, 2017, was \$7,883,000.

On December 17, 2015, the Kershaw Facilities Corporation, Inc. issued Series 2015A Installment Purchase Revenue Bonds totaling \$13,470,000 with principal payments due each June 1 starting in 2018 and semi-annual interest payments due June 1 and December 1 of each year. The bonds range in maturity dates from 2018 to 2042. The interest rate ranges from 1.90% to 4.90%. The outstanding principal as of June 30, 2017, was \$13,470,000.

On December 17, 2015, the Kershaw Facilities Corporation, Inc. issued Series 2015A Installment Purchase Revenue Bonds totaling \$3,730,000 with principal payments due each June 1 starting in 2042 and semi-annual interest payments due June 1 and December 1 of each year. The bonds range in maturity dates from 2042 to 2045. The interest rate ranges from 1.90% to 4.90%. The outstanding principal as of June 30, 2017, was \$3,730,000.

The Kershaw Facilities Corporation, Inc. Installment Purchase Revenue Bonds are not an obligation of the County; however as Kershaw Facilities Corporation, Inc. is blended with the operations of the County, the Corporation's debt is included with the County's other obligations as required by accounting principles generally accepted in the United States of America.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,690,000	\$ 1,009,933	\$ 2,699,933
2019	1,631,000	973,001	2,604,001
2020	1,521,000	934,885	2,455,885
2021	1,562,000	898,423	2,460,423
2022	1,604,000	859,520	2,463,520
2023-2027	4,440,000	3,750,067	8,190,067
2028-2032	2,590,000	3,170,280	5,760,280
2033-2037	3,315,000	2,446,980	5,761,980
2038-2042	4,280,000	1,479,990	5,759,990
2043-2046	3,140,000	319,250	3,459,250
	<u>\$ 25,773,000</u>	<u>\$ 15,842,329</u>	<u>\$ 41,615,329</u>

Capital Lease Payable

On July 30, 2013, the County entered into a capital lease arrangement with John Deere Financial to purchase motor graders in the amount of \$647,575. The lease is payable in yearly

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

installments beginning July 30, 2013. As of June 30, 2017, the County had an outstanding balance of \$613,215.

On May 25, 2014, the County entered into a capital lease arrangement with USC Bancorp Government Leasing and Finance Inc. to purchase motor vehicles in the amount of \$335,961. The lease is payable in yearly installments beginning May 25, 2014, including interest at a rate of 0.891%. As of June 30, 2017, the County had an outstanding balance of \$0.

On April 20, 2015, the County entered into a capital lease arrangement with BB&T to purchase various equipment and vehicles in the amount of \$583,355. The lease is payable in yearly installments beginning April 20, 2015. As of June 30, 2017, the County had an outstanding balance of \$146,670.

On May 24, 2016, the County entered into a capital lease arrangement with BB&T to purchase various equipment and vehicles in the amount of \$1,162,147. The lease is payable in yearly installments beginning May 24, 2016. As of June 30, 2017, the County had an outstanding balance of \$581,030.

On August 9, 2016, the County entered into a capital lease arrangement with BB&T to purchase a tractor in the amount of \$443,701. The lease is payable in yearly installments beginning January 1, 2017. As of June 30, 2017, the County had an outstanding balance of \$385,545.

On May 24, 2017, the County entered into a capital lease arrangement with BB&T to purchase various vehicles in the amount of \$820,591. The lease is payable in yearly installments beginning May 24, 2017. As of June 30, 2017, the County had an outstanding balance of \$610,563.

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2017.

Year Ending June 30,	
2018	\$ 723,684
2019	1,172,098
2020	271,212
2021	61,185
2022	61,185
2023-2024	<u>122,369</u>
Total minimum lease payments	2,411,733
Less: Amounts representing interest	<u>(74,710)</u>
Present value of future minimum lease payments	<u><u>\$ 2,337,023</u></u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Business-type Activities:

On January 8, 2008, the County issued Series 2008A General Obligation Bonds totaling \$5,574,760 with quarterly principal and interest payments due each February 1, May 1, August 1, and November 1. The bonds range in maturity from 2011 to 2030. The interest rate is 2.25%. The outstanding principal as of June 30, 2017, was \$3,516,105.

On January 8, 2008, the County issued Series 2008B General Obligation Bonds totaling \$3,538,737 with quarterly principal and interest payments due each March 1, June 1, September 1, and December 1. The bonds range in maturity from 2010 to 2029. The interest rate is 2.25%. The outstanding principal as of June 30, 2017, was \$2,009,913. This bond is applicable to the County's 8% debt limit.

On January 6, 2012, the County issued SRF loan General Obligation Bonds totaling \$2,399,276 with quarterly principal and interest payments due each February 1, May 1, August 1, and November 1. The bonds range in maturity from 2012 to 2031. The interest rate is 2.25%. The outstanding principal as of June 30, 2017, was \$1,842,854.

On March 17, 2017, the County issued SRF loan General Obligation Bonds totaling \$600,000 with quarterly principal and interest payments due each October 1, January 1, April 1, and July 1. The bonds range in maturity from 2018 to 2023. The interest rate is 1.40%. The outstanding principal as of June 30, 2017, was \$81,639.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2018	\$ 550,055	\$ 173,505	\$ 723,560
2019	562,536	161,025	723,561
2020	575,300	148,260	723,560
2021	588,354	135,207	723,561
2022	601,704	121,856	723,560
2023-2027	3,219,807	398,184	3,617,991
2028-2032	<u>1,352,755</u>	<u>67,435</u>	<u>1,420,190</u>
	<u>\$ 7,450,511</u>	<u>\$ 1,205,472</u>	<u>\$ 8,655,983</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 10. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017.

	Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>	Due Within <u>One Year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 1,690,000	\$ -	\$ (1,000,000)	\$ 690,000	\$ 690,000
Facilities IPR Bonds	8,204,000	-	(321,000)	7,883,000	660,000
Facilities IPR Bonds	13,470,000	-	-	13,470,000	340,000
Facilities IPR Bonds	3,730,000	-	-	3,730,000	-
Capital Lease	1,863,968	1,264,292	(791,237)	2,337,023	694,719
Compensated Absences	636,108	595,555	(636,108)	595,555	117,974
Net OPEB Obligation	1,434,274	184,275	-	1,618,549	-
Post-closure Costs	<u>1,516,137</u>	<u>-</u>	<u>(199,160)</u>	<u>1,316,977</u>	<u>-</u>
Total	<u>\$ 32,544,487</u>	<u>\$ 2,044,122</u>	<u>\$ (2,947,505)</u>	<u>\$ 31,641,104</u>	<u>\$ 2,502,693</u>
<i>Business-type Activities:</i>					
2008A G.O. Bonds	\$ 4,070,447	\$ -	\$ (554,342)	\$ 3,516,105	\$ 266,994
2008B G.O. Bonds	2,420,943	-	(411,030)	2,009,913	173,531
SRF G.O. Bonds	1,949,195	81,639	(106,341)	1,924,493	109,530
Compensated Absences	<u>41,092</u>	<u>56,387</u>	<u>(41,092)</u>	<u>56,387</u>	<u>-</u>
Total	<u>\$ 8,481,677</u>	<u>\$ 138,026</u>	<u>\$ (1,112,805)</u>	<u>\$ 7,506,898</u>	<u>\$ 550,055</u>

Note 11. Restricted Cash

Certain resources, which have been set aside for Capital, Steeplechase Building, E-911 Tariff, drug seizure and unclaimed funds expenditures are classified as restricted cash on the Special Revenue Fund and Capital Projects Fund's balance sheet because their use is limited. The amount of restricted cash held by the Special Revenue Fund and Capital Projects Fund amounted to \$22,663,161 as of June 30, 2017.

Note 12. Debt Limitations

The amount of legal debt margin as of June 30, 2017, is computed as follows:

Total Assessed Value	<u>\$ 222,855,636</u>
Debt Limit 8% of Assessed Value	17,828,451
Amount of Debt Applicable to Limit	<u>(4,033,913)</u>
Legal Debt Margin	<u>\$ 13,794,538</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 13. Employee Retirement Plans

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

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

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

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

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

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

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

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years 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.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions- Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, The PEBA Board may adopt and present to the Budget and Control Board for approval and increase the SCRS and PORS employer and employee contribution rates, 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

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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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 fiscal year 2016-2017 are as follows:

SCRS

Employee Class Two	8.66 % of earnable compensation
Employee Class Three	8.66 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	9.24 % of earnable compensation
Employee Class Three	9.24 % of earnable compensation

Required employer contributions for fiscal year 2016-2017 are as follows:

SCRS

Employer Class Two	11.56 % of earnable compensation
Employer Class Three	11.56 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employee Class One	7.80% of earnable compensation
Employee Class Two	14.24 % of earnable compensation
Employee Class Three	14.24 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2017, the County reported a liability of \$21,998,726 for the SCRS and \$8,948,936 for the PORS for a total of \$30,947,662 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2017, the County's proportion was 0.102991 percent for the SCRS and .35281 percent for the PORS.

For the year ended June 30, 2017, the County recognized pension expense of \$2,233,949. Plus employer's amortization of change in proportionate share and difference between employer contributions and proportionate share or contributions and deferred outflows and inflows of resources, \$6,587,791. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KERSHAW COUNTY, SOUTH CAROLINA
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(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 360,828	\$ 23,891
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,865,530	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,876,977	-
Town contributions subsequent to measurement date	484,456	-
Total	<u>\$ 6,587,791</u>	<u>\$ 23,891</u>

The amount of \$484,456 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2017	\$ 1,155,478	\$ 364,382	\$ 1,519,860
2018	1,155,478	364,382	1,519,860
2019	1,155,478	364,382	1,519,860
2020	<u>1,155,478</u>	<u>364,386</u>	<u>1,519,864</u>
Total	<u>\$ 4,621,912</u>	<u>\$ 1,457,532</u>	<u>\$ 6,079,444</u>

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual evaluation process are subject to periodic revision, typically with an experienced study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2017, is currently underway.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)	3.5% to 12.5% (varies by service)
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. Assumptions are used in July 1, 2016, valuations for SCRS and PORS are as follows:

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

The long-term expected rate of return on pension plan investments, as used in the July 1, 2016, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission (RSIC) in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the RSIC for the fiscal year 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

<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	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

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 the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis- The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.5 percent) or 1.00 percent higher (8.5 percent) than the current rate.

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 27,734,108	\$ 21,998,726	\$ 17,191,740
PORS	\$ 12,190,540	\$ 8,948,936	\$ 6,051,118

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, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

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(Continued)

Payables to the Pension Plan- The County reported a payable to the SCRS as of June 30, 2017, in the amount of \$254,908.

Note 14. Post-Employment Health Care Benefits

Plan Description: The County sponsors a single-employer medical insurance subsidy benefit plan (the “OPEB Plan”) that provides payments on behalf of eligible retirees to be used toward the purchase of subsidization or medical insurance provided under the County’s group plan. Employees become eligible when the employee qualifies for the SCRS or PORS and has ten (10) or more years of service regardless of age, if hired prior to July 1, 2005. For employees hired after July 1, 2005, the last five years of earned service must have been earned with Kershaw County for the County to provide post-retirement healthcare insurance premium assistance in accordance with the guidelines established in the annual budget ordinance. Information regarding SCRS and PORS eligibility may be found in the Comprehensive Annual Financial Report as identified in Note 13. The OPEB Plan may be changed by County Council at its discretion; the benefit and contribution requirements of the County and plan members are established and amended by County Council. These contributions are neither guaranteed nor mandatory. County Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of July 1, 2016, the measurement date, there were 356 covered participants; sixty one (61) members are retirees receiving benefits and 295 are active participants and dependents.

Funding Policy: Any employee who retires and meets the requirements for retirement in the SCRS is eligible to participate in the Kershaw County Retiree Benefit Program. The SCRS program allows retirement at the earlier of 28 years of service, age 55 with 25 years of service, or age 60 with 8 years of service. Retirees participate in the same health care plan as the active employees (with the additional option of a Medicare Supplement Plan for post-65 retirees). The employees currently have four pre-65 health care plans with various benefits and contribution levels. Any participant who retires with less than 10 years of service pays the total premium until age 65. If a participant retires with 10-25 years of service, Kershaw County will pay half of the premium cost while the employee pays the remaining balance. If a participant retires at age 55 or older and has 25+ years of service, the County contributes the same amount that active members receive (until age 65). Retirees over the age of 65 with 25+ years of service will receive a contribution from the County that is equal to half of the premium cost. Retirees over the age of 65 and were hired after January 10, 2011, will receive a contribution from the County that is up to \$300 per month toward health insurance premiums.

The County’s annual other postemployment benefits (“OPEB”) cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is based on a level percent of payroll increasing annually at 2.5%.

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

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 far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2016
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Open
Amortization Period:	30 years
Actuarial Assumptions	
Investment Rate of Return:	4.0% Annual Return Net of Both Administrative and Investment Related Expenses
Health Cost Trend:	10% to 5% in 1.0% Annual Steps (includes an inflation rate of 2.5%)
Payroll Growth:	2.5% Per Year
Coverage Elections:	70% of Eligible Retirees will Elect Coverage
Active Participant Marriage Assumption:	80% of All Active Employees are Assumed to be Married with Female Spouses Assumed to be 3 Years Younger
Mortality After Retirement Table:	RP-2000 Mortality Table
Implicit Subsidy:	Total Cost of Coverage for Pre-65 Retirees is 50% Higher Than the Average Premium Rate to Account for Implicitly Subsidized Costs

The asset valuation method used is market value. The actuarial consultants intend to use a smoothing method over a 5 year period with the assumed investment rate of return. The

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NOTES TO FINANCIAL STATEMENTS
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OPEB Plan's UAAL is being amortized as a level percentage of projected payroll on an open basis.

Schedule of Employer Contributions: Contributions include \$246,347 made by the County through payment of covered participants' explicit and implicit subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for 2017 were as follows:

1) Net OPEB Obligation, Beginning of the Plan Year	\$ 1,434,274
2) One Year's Interest on the Net OPEB Obligation	57,371
3) Annual Required Contribution (Normal Cost Plus Any Amortized Payments)	453,005
4) Adjustment to Annual Required Contribution	<u>(79,754)</u>
5) Annual OPEB Cost: (2)+(3)+(4)	430,622
6) Contributions Made for the Plan Year	<u>246,347</u>
7) Increase in Net OPEB Obligation (5)-(6)	<u>184,275</u>
8) Net OPEB Obligation, End of the Plan Year (1)+(7)	<u>\$ 1,618,549</u>

Note 15. Commitments and Contingencies

The County receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant.

In the normal course of business, the County enters into agreements with contractors for construction projects. As of June 30, 2017, open contracts and project budgets for construction totaled \$16,261,119 of which \$6,966,207 has been recorded as construction in progress.

Various claims and lawsuits are pending against the County. As of the issuance of the financial statements, it is not known whether any unfavorable outcomes are likely, however, it appears that should there be any unfavorable outcomes, some cause of action may not be covered by insurance.

Note 16. Insurance and Risk Management

The County is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The County maintains insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the County.

Settled claims have not exceeded this coverage in any of the past three years. There are no significant reductions in insurance coverage in the prior year.

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

The County paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$614,921 to cover risks that may occur in normal operations. These risks include loss of real property and contents, motor vehicles, errors and omissions, general liability and theft and dishonesty.

The County paid insurance premiums to the South Carolina Counties Workers' Compensation Trust totaling \$354,282 for workers' compensation coverage.

Note 17. Closure and Post-closure Care Costs

State and federal environmental laws and regulations require that Kershaw County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the Park Road and Lugoff-Elgin landfills for thirty (30) years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are recognized based on the estimated closure and post-closure care costs. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The Park Road landfill was officially closed in 2001 and the remaining closure period is now seventeen (17) years. The Lugoff-Elgin landfill was closed in 1997 and the remaining closure period is now twelve (12) years. The estimated liability for closure and post-closure care costs is \$1,316,977 as of June 30, 2017, which is based on total post closure-costs for the Park Road and Lugoff-Elgin landfills of \$765,951 and \$551,026, respectively. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations. These estimates also assume that there is no groundwater contamination, methane gas problems, major settling, or other similar problems discovered at these sites. Should any of these problems be found, costs could escalate very rapidly. There are no financial assurance requirements or restricted assets related to the estimated liability.

The current year reduction to closure and post-closure costs was \$199,160.

Note 18. Deferred Compensation Plans

Several optional deferred compensation plans are available to County employees through the State of South Carolina. Certain employees of the County have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are administered by third parties and are included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee.

Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The County has no liability for losses under the plans.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 19. Intergovernmental Revenues

The County receives funds from both the State of South Carolina and the federal government for various grants and projects. The majority of these funds are accounted for in the Special Revenue Funds with the major exception being grants from the federal government accounted for in the Proprietary Fund.

Note 20. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2017, consist of the following:

<i>General Fund</i>	
Transfer to Special Revenue Fund	\$ <u>(2,000,000)</u>
<i>Special Revenue Fund</i>	
Transfer to Proprietary Fund	(640,463)
Transfer from General Fund	<u>2,000,000</u>
Net Total Transfer from Devt Service Fund	1,359,537
<i>Debt Service Fund</i>	
Transfer to Proprietary Fund	<u>(462,727)</u>
Net Total Transfer from Devt Service Fund	(462,727)
<i>Proprietary Fund</i>	
Transfer from Special Revenue Fund	640,463
Transfer from Debt Service Fund	<u>462,727</u>
Net Total Transfer to Proprietary Fund	<u>1,103,190</u>
Net Total Transfers between Funds	<u>\$ -</u>

General Fund

Transfers to: Funds were transferred from the General Fund into the Special Revenue Fund to fund special capital project costs.

Special Revenue Fund

Transfers to: Funds were transferred from the Special Revenue Fund into the Proprietary Fund for debt payments made on the 2008 GO Bonds.

Transfers from: Funds were transferred into the Special Revenue Fund from the General Funds to fund special capital project costs and grants.

Debt Service Fund

Transfers to: Funds were transferred from the Debt Service Fund into the Proprietary Fund for debt payments made on the 2008 GO Bonds.

Proprietary Fund

Transfers from: Funds were transferred into the Proprietary Fund from other funds for debt payments on the 2008 GO Bonds.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 21. Operating Lease Commitment

The County has an operating lease on the building used for operations for the Department of Social Services. The lease term is for ten years starting July 1, 2015. Either party may terminate the rental agreement at any time. Rent is payable the first day of each month in the amount of \$12,000. Rental expense amounted to \$144,000 for the fiscal ended June 30, 2017.

The County has an operating lease with Dell Financial Services for computers and various related equipment. The lease term is for 3 years starting October, 1, 2017, and September 30, 2020. Either party may terminate the rental agreement at any time. Rent is payable on a yearly basis in the amount of \$34,912 with a final payment of \$8,564 due at end of lease.

Note 22. Fee in Lieu Agreements

The County has two abatement programs which result in reduced property tax collections from certain taxpayers.

Kershaw County provides property tax reductions through South Carolina's Fee in Lieu of Tax (FILOT) program pursuant to the authority granted by Title 12, Chapter 44 of the Code of Laws of South Carolina, 1976, as amended in order to reduce the property tax burden on businesses thereby inducing such businesses to invest in the county. South Carolina has a property tax structure that compares unfavorably to many other states with whom we compete to attract industry. This program is designed to make Kershaw County a more attractive location for companies making significant capital investment and job creation in Kershaw County. As the site selection process for industries has become increasingly more competitive, many companies come to view FILOT agreements as absolutely critical to their decision to locate in South Carolina. This innovative solution is the primary recruitment tool used by county governments in South Carolina to recruit new industry and to encourage our existing industries to remain in operation in Kershaw County and to grow. In order to be eligible for a FILOT, a business must commit to invest at least \$2.5 million over a five year period. Property subject to a FILOT agreement is exempt from ad valorem property tax and is instead subject to a fee in lieu of tax, equal to the product of the value of the property, a negotiated assessment ratio that is equal to or lower than the normally applicable assessment rates, and a millage rate that is either fixed for the life of the agreement or is adjusted every five years based on the trailing five year average. In addition, the FILOT payments may be fixed over the life of the FILOT program based on a net present value method.

The majority of the FILOT agreements entered into by Kershaw County provide companies a reduced assessment ratio, usually to the maximum allowed by state statute, 6%, and a fixed millage rate for the life of the agreement. Agreements are for either a 20 year or 30 year length. The FILOT program resulted in property tax abated of \$5,996,091 in tax year 2016.

According to South Carolina Department of Revenue reports, capital investment committed to in the existing FILOT agreements was \$537,484,000. Actual capital investment made through 2016 was \$631,315,350. This investment resulted in FILOT payments of \$5,340,367 in tax year 2016.

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

The manufacturing companies utilizing the FILOT program currently employ nearly 3,000 employees. At the current average wage in Kershaw County, \$18.58, this employment results in annual wages paid of \$113,775,000.

South Carolina Code 4-1-170 provides that a joint industrial or business park (referred to as a multi-county industrial park) can be established by two or more counties pursuant to a written agreement between those counties, as provided in Section 13 of Article VIII of the South Carolina Constitution. The agreement will establish how the counties will share the expenses and revenues generated by the multi-county or business park. Kershaw County has multi-county industrial park agreements with two South Carolina counties.

In 2016 the total tax revenue shared with other South Carolina counties, and not distributed to Kershaw County taxing entities, per existing multi-county industrial park agreements was \$53,499.

Note 23. Pending Implementation of GASB Statements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017, which the County will implement with the 2015 financial statements. Management has not yet determined the impact of implementing this standard will have on the County's financial statements, if any.

Note 24. Subsequent Events

The County has evaluated subsequent events through November 27, 2017, which is the date the financial statements were available to be issued. During this period, the County did have two material subsequent event that required recognition in the County's disclosures to the financial statements at June 30, 2017.

On June 27, 2017, the County entered into a Master Lease agreement with Enterprise FM Trust and Enterprise Fleet Management regarding the acquisition, leasing and disposal of certain vehicles from Enterprise, as well as, the management of service requirements on all vehicles the County currently maintains. The County entered into a leasing arrangement for 14 vehicles totaling \$464,531.

On September 26, 2017, the County entered into an intergovernmental agreement with the Kershaw County School District and the Kershaw Public Facilities Corporation authorizing a sublease agreement between the School District and the Corporation for certain real property for the construction of a new Applied Technology facility.

SUPPLEMENTAL INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017

	<u>Final</u>	<u>Actual</u>	Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Revenues			
Taxes			
Property Taxes - Net	\$ 8,156,501	\$ 8,002,809	\$ (153,692)
Vehicle Taxes - Net	1,593,000	1,523,736	(69,264)
Delinquent Taxes - Net	600,000	481,736	(118,264)
Fee In Lieu of Taxes	653,000	748,065	95,065
Local Option Sales Tax	2,800,000	3,229,569	429,569
Homestead Exemption	710,000	731,869	21,869
Manufacturer Reimbursement	165,000	192,503	27,503
Inventory Replacement	<u>52,000</u>	<u>52,345</u>	<u>345</u>
Total Taxes	<u>14,729,501</u>	<u>14,962,632</u>	<u>233,131</u>
Licenses, Fees and Permits			
Planning and Zoning	377,188	458,144	80,956
Delinquent Tax Collector	390,000	446,995	56,995
Clerk of Court	307,528	286,242	(21,286)
Register of Deeds	406,426	403,738	(2,688)
Probate Court	144,900	147,661	2,761
Master in Equity	100,000	90,602	(9,398)
Sheriff	227,500	270,086	42,586
Motor Carrier Fees	84,000	102,344	18,344
Road Maintenance Fees	1,845,013	1,971,867	126,854
Cable Franchise Fees	<u>183,000</u>	<u>175,518</u>	<u>(7,482)</u>
Total Licenses, Fees and Permits	<u>4,065,555</u>	<u>4,353,197</u>	<u>287,642</u>
Intergovernmental Revenue			
Aid to Subdivisions	2,403,000	2,388,638	(14,362)
DSS Rent Reimbursement	122,000	95,653	(26,347)
DSS Unit Cost	141,000	112,864	(28,136)
Veterans Service Offices	5,200	5,371	171
Election Commission	95,000	80,315	(14,685)
Clerk of Court	480	-	(480)
Accommodations Tax	29,000	30,217	1,217
Library Aid	90,000	129,502	39,502
Salary Supplements	<u>7,878</u>	<u>7,875</u>	<u>(3)</u>
Total Intergovernmental Revenue	<u>2,893,558</u>	<u>2,850,435</u>	<u>(43,123)</u>
Charges for Services			
Library	17,000	10,952	(6,048)
Recreation	297,000	314,957	17,957
Other	<u>273,925</u>	<u>342,553</u>	<u>68,628</u>
Total Charges for Services	<u>587,925</u>	<u>668,462</u>	<u>80,537</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Fines and Forfeitures			
Magistrate	\$ 500,000	\$ 456,021	\$ (43,979)
Library	16,000	11,424	(4,576)
Rental and Leases	9,100	8,088	(1,012)
Litter Pickup	1,300	210	(1,090)
Interest Earned	<u>4,000</u>	<u>260</u>	<u>(3,740)</u>
Total Fines and Forfeitures	<u>530,400</u>	<u>476,003</u>	<u>(54,397)</u>
Miscellaneous			
Other	<u>65,810</u>	<u>222,944</u>	<u>157,134</u>
Total Miscellaneous	<u>65,810</u>	<u>222,944</u>	<u>157,134</u>
Total Revenues	<u>22,872,749</u>	<u>23,533,673</u>	<u>660,924</u>
Expenditures			
General Government			
County Council			
Operating	25,664	27,895	(2,231)
Personnel	<u>207,029</u>	<u>200,778</u>	<u>6,251</u>
Total County Council	<u>232,693</u>	<u>228,673</u>	<u>4,020</u>
County Administrator			
Operating	74,850	79,337	(4,487)
Personnel	<u>316,942</u>	<u>332,723</u>	<u>(15,781)</u>
Total County Administrator	<u>391,792</u>	<u>412,060</u>	<u>(20,268)</u>
Finance			
Operating	108,906	96,592	12,314
Personnel	<u>366,573</u>	<u>379,614</u>	<u>(13,041)</u>
Total Finance	<u>475,479</u>	<u>476,206</u>	<u>(727)</u>
Human Resources			
Operating	25,649	22,224	3,425
Personnel	<u>68,362</u>	<u>71,685</u>	<u>(3,323)</u>
Total Human Resources	<u>94,011</u>	<u>93,909</u>	<u>102</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
County Attorney			
Operating	\$ 60,346	\$ 100,821	\$ (40,475)
Personnel	<u>115,702</u>	<u>115,815</u>	<u>(113)</u>
Total County Attorney	<u>176,048</u>	<u>216,636</u>	<u>(40,588)</u>
Information Technology			
Operating	313,908	268,359	45,549
Personnel	<u>172,918</u>	<u>175,438</u>	<u>(2,520)</u>
Total Information Technology	<u>486,826</u>	<u>443,797</u>	<u>43,029</u>
Building Maintenance			
Operating	492,754	486,111	6,643
Personnel	<u>295,055</u>	<u>302,823</u>	<u>(7,768)</u>
Total Building Maintenance	<u>787,809</u>	<u>788,934</u>	<u>(1,125)</u>
Planning and Zoning			
Operating	89,346	73,836	15,510
Personnel	<u>402,209</u>	<u>369,372</u>	<u>32,837</u>
Total Planning and Zoning	<u>491,555</u>	<u>443,208</u>	<u>48,347</u>
Assessor			
Operating	79,486	68,138	11,348
Personnel	<u>389,837</u>	<u>411,878</u>	<u>(22,041)</u>
Total Assessor	<u>469,323</u>	<u>480,016</u>	<u>(10,693)</u>
Auditor			
Operating	58,857	47,482	11,375
Personnel	<u>213,287</u>	<u>202,859</u>	<u>10,428</u>
Total Auditor	<u>272,144</u>	<u>250,341</u>	<u>21,803</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Delinquent Tax Collector			
Operating	\$ 162,970	\$ 160,982	\$ 1,988
Personnel	<u>108,604</u>	<u>108,476</u>	<u>128</u>
Total Delinquent Tax Collector	<u>271,574</u>	<u>269,458</u>	<u>2,116</u>
Treasurer			
Operating	133,365	128,672	4,693
Personnel	<u>247,601</u>	<u>247,191</u>	<u>410</u>
Total Treasurer	<u>380,966</u>	<u>375,863</u>	<u>5,103</u>
Clerk of Court			
Operating	93,530	66,448	27,082
Personnel	<u>332,141</u>	<u>284,667</u>	<u>47,474</u>
Total Clerk of Court	<u>425,671</u>	<u>351,115</u>	<u>74,556</u>
Family Court			
Operating	56,117	50,531	5,586
Personnel	<u>237,978</u>	<u>240,242</u>	<u>(2,264)</u>
Total Family Court	<u>294,095</u>	<u>290,773</u>	<u>3,322</u>
Summary Court			
Operating	79,048	72,063	6,985
Personnel	<u>728,318</u>	<u>697,712</u>	<u>30,606</u>
Total Summary Court	<u>807,366</u>	<u>769,775</u>	<u>37,591</u>
Probate Court			
Operating	34,509	27,954	6,555
Personnel	<u>304,759</u>	<u>297,757</u>	<u>7,002</u>
Total Probate Court	<u>339,268</u>	<u>325,711</u>	<u>13,557</u>
Register of Deeds			
Operating	90,508	87,333	3,175
Personnel	<u>152,725</u>	<u>154,937</u>	<u>(2,212)</u>
Total Register of Deeds	<u>243,233</u>	<u>242,270</u>	<u>963</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Master-in-Equity			
Operating	\$ 15,047	\$ 15,048	\$ (1)
Personnel	<u>54,078</u>	<u>53,874</u>	<u>204</u>
Total Master-in-Equity	<u>69,125</u>	<u>68,922</u>	<u>203</u>
Coroner			
Operating	92,841	81,563	11,278
Personnel	<u>82,388</u>	<u>82,232</u>	<u>156</u>
Total Coroner	<u>175,229</u>	<u>163,795</u>	<u>11,434</u>
Special Services			
Operating	303,474	281,531	21,943
Personnel	<u>195,581</u>	<u>194,013</u>	<u>1,568</u>
Total Special Services	<u>499,055</u>	<u>475,544</u>	<u>23,511</u>
Veterans Office			
Operating	8,561	5,905	2,656
Personnel	<u>92,655</u>	<u>92,980</u>	<u>(325)</u>
Total Veterans Office	<u>101,216</u>	<u>98,885</u>	<u>2,331</u>
Voter Registration			
Operating	107,900	60,689	47,211
Personnel	<u>185,485</u>	<u>213,736</u>	<u>(28,251)</u>
Total Voter Registration	<u>293,385</u>	<u>274,425</u>	<u>18,960</u>
Social Services			
Operating	<u>156,000</u>	<u>156,252</u>	<u>(252)</u>
Health Department			
Operating	<u>16,445</u>	<u>19,745</u>	<u>(3,300)</u>
GIS Mapping			
Operating	32,131	24,352	7,779
Personnel	<u>82,100</u>	<u>85,991</u>	<u>(3,891)</u>
Total GIS Mapping	<u>114,231</u>	<u>110,343</u>	<u>3,888</u>
Legislative Delegation			
Personnel	<u>20,000</u>	<u>20,000</u>	<u>-</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Library			
Operating	\$ 383,455	\$ 358,584	\$ 24,871
Personnel	<u>626,562</u>	<u>631,961</u>	<u>(5,399)</u>
Total Library	<u>1,010,017</u>	<u>990,545</u>	<u>19,472</u>
Risk Management			
Operating	7,453	3,275	4,178
Personnel	<u>31,614</u>	<u>35,300</u>	<u>(3,686)</u>
Total Risk Management	<u>39,067</u>	<u>38,575</u>	<u>492</u>
General Operating			
Fleet Maintenance	<u>7,000</u>	<u>26,860</u>	<u>(19,860)</u>
Total General Government	<u>9,140,623</u>	<u>8,902,636</u>	<u>237,987</u>
Public Safety			
Central Communications			
Operating	79,652	56,004	23,648
Personnel	<u>976,819</u>	<u>1,016,746</u>	<u>(39,927)</u>
Total Central Communications	<u>1,056,471</u>	<u>1,072,750</u>	<u>(16,279)</u>
Law Enforcement			
Operating	924,592	783,733	140,859
Personnel	<u>4,012,427</u>	<u>4,094,763</u>	<u>(82,336)</u>
Total Law Enforcement	<u>4,937,019</u>	<u>4,878,496</u>	<u>58,523</u>
Detention Center			
Operating	705,843	569,298	136,545
Personnel	<u>1,501,983</u>	<u>1,482,401</u>	<u>19,582</u>
Total Detention Center	<u>2,207,826</u>	<u>2,051,699</u>	<u>156,127</u>
Total Public Safety	<u>8,201,316</u>	<u>8,002,945</u>	<u>198,371</u>
Highways and Streets			
Public Works			
Operating	998,697	804,624	194,073
Personnel	<u>830,617</u>	<u>733,678</u>	<u>96,939</u>
Total Highways and Streets	<u>1,829,314</u>	<u>1,538,302</u>	<u>291,012</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation			
Recreation			
Operating	\$ 743,108	\$ 653,105	\$ 90,003
Personnel	<u>797,277</u>	<u>806,661</u>	<u>(9,384)</u>
Total Culture and Recreation	<u>1,540,385</u>	<u>1,459,766</u>	<u>80,619</u>
Other Objects			
Contribution Agencies			
Camden First Community Development	3,500	3,500	-
Central Carolina	152,350	202,350	(50,000)
Clemson Extension	1,000	1,000	-
Community Medical Clinic	11,250	11,250	-
Fine Arts Center	2,250	2,250	-
Historic Camden	1,875	1,875	-
Board of Disabilities	1,250	1,250	-
Chamber of Commerce	15,000	15,000	-
Clean Community Commission	2,000	2,000	-
KC Conservation District	3,750	3,750	-
Regional Transit Authority	20,063	20,063	-
Sistercare	500	500	-
Alpha Center	1,500	1,500	-
Wateree Community Action	1,890	1,890	-
KC Mental Health	5,000	5,000	-
Camden Rescue	7,000	7,000	-
Mt Pisgah Rescue	7,000	7,000	-
Humane Society	250,000	250,000	-
United Way	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Contribution Agencies	<u>492,178</u>	<u>542,178</u>	<u>(50,000)</u>
Emergency Preparedness			
Operating	<u>13,805</u>	<u>10,681</u>	<u>3,124</u>
Indigent Care			
Operating	<u>103,374</u>	<u>103,375</u>	<u>(1)</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Insurance Fringe	\$ 69,030	\$ 69,001	\$ 29
Unemployment Insurance	30,000	3,649	26,351
Telephone	120,000	100,969	19,031
Other Operations	52,272	34,206	18,066
Public Defender	200,000	200,000	-
Solicitor	320,000	320,000	-
Retiree Insurance	238,400	207,280	31,120
Insurance	<u>559,037</u>	<u>601,830</u>	<u>(42,793)</u>
 Total General Operating	 <u>1,588,739</u>	 <u>1,536,935</u>	 <u>51,804</u>
 Total Other Objects	 <u>2,198,096</u>	 <u>2,193,169</u>	 <u>4,927</u>
 Capital Outlay			
Information Technology	-	23,940	(23,940)
Public Works	229,809	48,292	181,517
Law Enforcement	-	46,954	(46,954)
Detention Center	-	3,246	(3,246)
Library	-	877	(877)
Recreation	34,990	25,256	9,734
Other	<u>-</u>	<u>3,898</u>	<u>(3,898)</u>
 Total Capital Outlay	 <u>264,799</u>	 <u>152,463</u>	 <u>112,336</u>
 Debt Service			
Principal	<u>8,216</u>	<u>8,215</u>	<u>1</u>
 Total Debt Service	 <u>8,216</u>	 <u>8,215</u>	 <u>1</u>
 Total Expenditures	 <u>23,182,749</u>	 <u>22,257,496</u>	 <u>925,253</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (310,000)	\$ 1,276,177	\$ 1,586,177
Other Financing Sources (Uses)			
Sale of Capital Assets	20,000	42,409	22,409
Transfer from Reserves	240,000	-	(240,000)
Transfer from Proprietary Fund	50,000	-	(50,000)
Transfer to Special Revenue Fund	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Total Other Financing Sources	<u>310,000</u>	<u>(1,957,591)</u>	<u>(2,267,591)</u>
Net Change in Fund Balance	<u>\$ -</u>	(681,414)	<u>\$ (681,414)</u>
Fund Balance, Beginning of Year		<u>14,687,168</u>	
Fund Balance, End of Year		<u>\$ 14,005,754</u>	

**KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 14,729,501	\$ 14,729,501	\$ 14,962,632	\$ 233,131
Licenses, Fees and Permits	4,065,555	4,065,555	4,353,197	287,642
Intergovernmental	2,893,558	2,893,558	2,850,435	(43,123)
Charges for Services	587,925	587,925	668,462	80,537
Fines and Forfeitures	530,400	530,400	476,003	(54,397)
Miscellaneous	<u>65,810</u>	<u>65,810</u>	<u>222,944</u>	<u>157,134</u>
 Total Revenues	 <u>22,872,749</u>	 <u>22,872,749</u>	 <u>23,533,673</u>	 <u>660,924</u>
Expenditures				
Current:				
General Government	9,140,623	9,140,623	8,902,636	237,987
Public Safety	8,201,316	8,201,316	8,002,945	198,371
Highways and Streets	1,829,314	1,829,314	1,538,302	291,012
Culture and Recreation	1,540,385	1,540,385	1,459,766	80,619
Other Objects	2,198,096	2,198,096	2,193,169	4,927
Capital Outlay	264,799	264,799	152,463	112,336
Debt Service:				
Principal	<u>8,216</u>	<u>8,216</u>	<u>8,215</u>	<u>1</u>
 Total Expenditures	 <u>23,182,749</u>	 <u>23,182,749</u>	 <u>22,257,496</u>	 <u>925,253</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(310,000)</u>	<u>(310,000)</u>	<u>1,276,177</u>	<u>1,586,177</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	20,000	20,000	42,409	22,409
Transfer from Reserves	240,000	240,000	-	(240,000)
Transfer from Proprietary Fund	50,000	50,000	-	(50,000)
Transfer to Special Revenue Fund	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
 Total Other Financing Sources	 <u>310,000</u>	 <u>310,000</u>	 <u>(1,957,591)</u>	 <u>(2,267,591)</u>
 Net Change in Fund Balance	 <u>-</u>	 <u>-</u>	 <u>(681,414)</u>	 <u>(681,414)</u>
 Fund Balance, Beginning of Year	 <u>14,687,168</u>	 <u>14,687,168</u>	 <u>14,687,168</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 14,687,168</u>	 <u>\$ 14,687,168</u>	 <u>\$ 14,005,754</u>	 <u>\$ (681,414)</u>

**KERSHAW COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN- DEFINED BENEFIT HEALTHCARE PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 430,622	\$ 246,347	57.21%	\$ 1,618,549
June 30, 2016	\$ 433,409	\$ 254,853	58.80%	\$ 1,434,274
June 30, 2015	\$ 474,346	\$ 254,541	53.66%	\$ 1,255,718
June 30, 2014	\$ 464,748	\$ 240,157	51.67%	\$ 1,035,913
June 30, 2013	\$ 399,106	\$ 228,639	57.29%	\$ 811,322
June 30, 2012	\$ 391,594	\$ 239,007	61.03%	\$ 1,398,412
June 30, 2011	\$ 381,892	\$ 249,548	65.35%	\$ 1,245,825
June 30, 2010	\$ 758,293	\$ 196,375	25.90%	\$ 1,113,481
June 30, 2009	\$ 719,548	\$ 167,985	23.35%	\$ 551,563

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 4,824,681	\$ 4,824,681	0.00%	\$ 8,428,839	57%
August 1, 2012	\$ -	\$ 4,904,443	\$ 4,904,443	0.00%	\$ 8,689,284	56%
July 1, 2013	\$ -	\$ 5,686,829	\$ 5,686,829	0.00%	\$ 9,069,766	63%
July 1, 2014	\$ -	\$ 5,810,661	\$ 5,810,661	0.00%	\$ 8,977,333	65%
July 1, 2015	\$ -	\$ 5,386,506	\$ 5,386,506	0.00%	\$ 9,096,887	59%
July 1, 2016	\$ -	\$ 5,232,094	\$ 5,232,094	0.00%	\$ 11,007,378	48%

**KERSHAW COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017**

SCRS	<u>2017</u>	<u>2016</u>
County's proportion of the net pension liability (asset)	0.1029910%	0.0837500%
County's proportionate share of the net pension liability (asset)	\$ 21,988,726	\$ 16,381,435
County's covered employee payroll	\$ 10,785,115	\$ 9,972,956
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203.88%	164.26%
Plan fiduciary net position as a percentage of total pension liability	41.05%	30.58%
 PORS	 <u>2017</u>	 <u>2016</u>
County's proportion of the net pension liability (asset)	0.352810%	0.345330%
County's proportionate share of the net pension liability (asset)	\$ 8,948,936	\$ 7,526,368
County's covered employee payroll	\$ 4,821,816	\$ 4,498,162
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.59%	167.32%
Plan fiduciary net position as a percentage of total pension liability	9.00%	8.40%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>

**KERSHAW COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,932,374	\$ 1,720,057
Contributions in relation to contractually required contribution	<u>1,932,374</u>	<u>1,720,057</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 15,606,931	\$ 14,471,118
Contributions as a percentage of covered-employee payroll	12.38%	11.89%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2017

Note 1. Budgets and Budgetary Accounting

Budgets, except for the Special Revenue Fund, are adopted on a basis consistent with generally accepted accounting principles. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund. Unused appropriations for all annually budgeted funds lapse at the end of the year.

Note 2. Legal Compliance – Budgets

The County Administrator submits a proposed operating budget for the fiscal year to the County Council. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through passage of an ordinance. The County Administrator is authorized to transfer budgeted amounts within departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by County Council. Budgeted amounts reflected in the accompanying financial statements are the final authorized amounts as revised during the year.

The County has not presented budget information for the Special Revenue Fund, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the County's fiscal year, a comparison of budgetary information for the total Special Revenue Fund would not be meaningful and has not been presented in the accompanying financial statements.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2017**

Assets

Restricted Cash	\$	659,982
Receivables		
Property Taxes, Net		99,438
Intergovernmental		1,048,873
Other		108,019
Due from Other Funds		<u>2,993,182</u>
Total Assets	\$	<u><u>4,909,494</u></u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities		
Compensated Absences	\$	<u>9,658</u>
Total Liabilities		<u>9,658</u>

Deferred Inflows		
Unavailable Revenue - Property Taxes		90,003
Unavailable Revenue - Grants		<u>1,647</u>
Total Deferred Inflows of Resources		<u>91,650</u>

Fund Balance		
Restricted for Debt Service		350,463
Restricted for Capital Projects		2,092,867
Assigned		<u>2,364,856</u>
Total Fund Balance		<u>4,808,186</u>

Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$	<u><u>4,909,494</u></u>
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KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017

Revenues

Taxes	
Property Taxes - Net	\$ 1,327,254
Vehicle Taxes - Net	267,588
Delinquent Taxes - Net	56,781
Fee In Lieu of Taxes	838,942
Local Option Sales Tax	534,064
Homestead Exemption	122,168
Manufacturer Reimbursement	24,317
Liquor Excise Tax	36,457
Inventory Replacement	<u>12,569</u>
Total Taxes	<u>3,220,140</u>
Licenses, Fees and Permits	
Residential	2,114,890
Landfill	187,329
Airport	180,371
Road Maintenance Fees	<u>28,612</u>
Total Licenses, Fees and Permits	<u>2,511,202</u>
Intergovernmental Revenue	
Aid to Subdivisions	82,856
CTC Funds	1,053,517
Title IV-D	45,423
1% Fire Assistance	174,409
Accommodations Tax	<u>364,347</u>
Total Intergovernmental Revenue	<u>1,720,552</u>
Fines and Forfeitures	
Sheriff	195,584
Interest Earned	<u>48</u>
Total Fines and Forfeitures	<u>195,632</u>
Miscellaneous	
Other	862,399
E-911 Tariff	435,289
Grants	<u>707,308</u>
Total Miscellaneous	<u>2,004,996</u>
Total Revenues	<u>9,652,522</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017
(Continued)

Expenditures

General Government

E-911 Tariff		
Operating	\$	262,722
Personnel		<u>89,172</u>
Total E-911 Tariff		<u>351,894</u>
Title IV-D Family Court		
Operating		1,829
Personnel		<u>30,399</u>
Total Title IV-D Family Court		<u>32,228</u>
Mini Bottle Pass Thru		
Operating		<u>119,313</u>
Library		
Operating		<u>190,756</u>
Total Library		<u>190,756</u>
Economic Development		
Operating		313,449
Personnel		<u>165,330</u>
Total Economic Development		<u>478,779</u>
Airport		
Operating		42,804
Personnel		<u>98,310</u>
Total Airport		<u>141,114</u>
Total General Government		<u>1,314,084</u>

Public Safety

Detention Center		
Operating		<u>38,088</u>
Fire Services		
Operating		445,813
Personnel		<u>419,798</u>
Total Fire Services		<u>865,611</u>

**KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017
(Continued)**

Firemen's Fund		
Operating		\$ 185,856
Victim's Advocate		
Operating		317,333
Personnel		<u>68,932</u>
Total Victim's Advocate		<u>386,265</u>
Sheriff County Seizures		
Operating		<u>41,574</u>
DUI Grant		
Operating		1,422
Personal		<u>17,677</u>
Total DUI Grant		<u>19,099</u>
EMS Grant		
Operating		<u>9,408</u>
Total Public Safety		<u>1,545,901</u>
Highways and Streets		
Waste Tire		
Operating		<u>27,690</u>
Total Highways and Streets		<u>27,690</u>
Public Works		
Solid Waste		
Operating		1,895,883
Personnel		<u>595,166</u>
Total Public Works		<u>2,491,049</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017
(Continued)

Other Objects

General Operating	
Other Operations	\$ <u>363,465</u>
Total Other Objects	<u>363,465</u>

Capital Outlay

Detention Center	513,725
Airport	121,000
CTC Funds	1,003,871
Sheriff Seizure	30,687
Fire Services	644,945
Solid Waste	444,526
Economic Development	445,474
Waste Tire	3,462
General Capital	<u>1,371,222</u>
Total Capital Outlay	<u>4,578,912</u>

Debt Service

Principal	724,679
Interest	<u>17,838</u>
Total Debt Service	<u>742,517</u>

Total Expenditures 11,063,618

Excess (Deficiency) of Revenues Over (Under) Expenditures (1,411,096)

Other Financing Sources (Uses)

Capital Lease Proceeds	1,264,292
Sale of Capital Assets	107,325
Transfers from General Fund	2,000,000
Transfers to Proprietary Fund	<u>(915,165)</u>
Total Other Financing Sources	<u>2,456,452</u>

Net Change in Fund Balance 1,045,356

Fund Balance, Beginning of Year 3,762,830

Fund Balance, End of Year \$ 4,808,186

**KERSHAW COUNTY, SOUTH CAROLINA
LIBRARY OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

	County	State	State Lottery	Federal Grant	Total
Revenues					
Charges for Services	\$ 515	\$ -	\$ -	\$ -	\$ 515
Fines	11,424	-	-	-	11,424
Intergovernmental	-	92,546	36,957	-	129,503
Miscellaneous	<u>10,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,952</u>
Total Revenues	<u>22,891</u>	<u>92,546</u>	<u>36,957</u>	<u>-</u>	<u>152,394</u>
Expenditures					
Books, Periodicals and Departmental Supplies	<u>71,745</u>	<u>89,704</u>	<u>32,408</u>	<u>-</u>	<u>193,857</u>
Total Expenditures	<u>71,745</u>	<u>89,704</u>	<u>32,408</u>	<u>-</u>	<u>193,857</u>
Excess of Revenues Over (Under) Expenditures	(48,854)	2,842	4,549	-	(41,463)
Fund Balance, Beginning of Year	<u>(26,681)</u>	<u>18,741</u>	<u>40,519</u>	<u>25,087</u>	<u>57,666</u>
Fund Balance, End of Year	<u>\$ (75,535)</u>	<u>\$ 21,583</u>	<u>\$ 45,068</u>	<u>\$ 25,087</u>	<u>\$ 16,203</u>

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINES AND ASSESSMENTS
For the Fiscal Year Ended June 30, 2017**

Fines and Fees

Family Court Fines	\$ 3,547
Family Court Fees	64,370
Other Court Fines and Fees	894,745

Assessments

DUI	49,817
General Sessions	9,378
Magistrate	619,846

Surcharges

Drug	38,592
Law Enforcement	315,091
Criminal Justice Academy	<u>5,425</u>

Total 2,000,811

Retained by County

Victims Assistance:	
Fines	835,225
Assessments	<u>72,489</u>

Total Retained by County 907,714

Total Fines and Assessments Remitted to State Treasurer and Other Agencies \$ 1,093,097

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

**KERSHAW COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ 497,497
Property Taxes Receivable, Net	129,664
Intergovernmental Receivable	44,780
Due from Other Funds	<u>1,082,434</u>
 Total Assets	 <u>\$ 1,754,375</u>

Liabilities, Deferred Inflows and Fund Balance

Liabilities

Short Term Bond Payable	\$ <u>1,334,000</u>
 Total Deferred Inflows	 <u>1,334,000</u>

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>115,159</u>
 Total Deferred Inflows	 <u>115,159</u>

Fund Balance

Restricted for Debt Service	<u>305,216</u>
 Total Fund Balance	 <u>305,216</u>

Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 1,754,375</u>
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KERSHAW COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017

Revenues

Taxes	
Property Taxes - Net	\$ 1,286,037
Vehicle Taxes - Net	221,918
Delinquent Taxes - Net	54,975
Fee In Lieu of Taxes	121,509
Local Option Sales Tax	493,081
Homestead Exemption	116,879
Manufacturer Reimbursement	31,011
Inventory Replacement	<u>7,357</u>
 Total Taxes	 <u>2,332,767</u>
 Licenses, Fees and Permits	
Motor Carrier Fees	<u>14,465</u>
 Total Licenses, Fees and Permits	 <u>14,465</u>
 Total Revenues	 <u>2,347,232</u>

Expenditures

Principal Retirement	1,321,000
Interest and Other Charges	<u>1,054,495</u>
 Total Expenditures	 <u>2,375,495</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures (28,263)

Other Financing Sources (Uses)

Cost of Bond Issuance	(14,503)
Transfer to Proprietary Fund	<u>(462,727)</u>
 Total Other Financing Sources (Uses)	 <u>(477,230)</u>

Net Change in Fund Balance (505,493)

Fund Balance, Beginning of Year 810,709

Fund Balance, End of Year \$ 305,216

CAPITAL PROJECT FUNDS

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. There are two capital projects funds which are utilized for the County's projects and for the Kershaw facilities project fund

**KERSHAW COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2017**

Assets

Intergovernmental Receivable \$ 1,018,486

Total Assets **\$ 1,018,486**

Liabilities and Fund Balances

Liabilities

Due to Other Funds \$ 950,080

Total Liabilities 950,080

Fund Balances

Restricted for Capital Projects 68,406

Total Liabilities and Fund Balances **\$ 1,018,486**

**KERSHAW COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2017**

Revenues

Grants	\$ <u>322,496</u>
Total Revenues	<u>322,496</u>

Expenditures

Capital Outlay

Other	319,236
Airport	<u>5,976</u>

Total Capital Outlay	<u>325,212</u>
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Total Expenditures	<u>325,212</u>
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Net Change in Fund Balance	(2,716)
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Fund Balance, Beginning of Year	<u>71,122</u>
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Fund Balance, End of Year	<u><u>\$ 68,406</u></u>
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**KERSHAW COUNTY, SOUTH CAROLINA
KERSHAW FACILITIES PROJECTS FUND
BALANCE SHEET
June 30, 2017**

Assets

Restricted Cash	\$ 21,505,682
Other Receivables	<u>463,015</u>

Total Assets	<u>\$ 21,968,697</u>
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Liabilities and Fund Balances

Liabilities	
Due to Other Funds	<u>\$ 835,585</u>

Fund Balances	
Restricted for Capital Projects	<u>21,133,112</u>

Total Liabilities and Fund Balances	<u>\$ 21,968,697</u>
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**KERSHAW COUNTY, SOUTH CAROLINA
KERSHAW FACILITIES PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Miscellaneous	\$ 3,122,441
Total Revenues	<u>3,122,441</u>

Expenditures

Capital Outlay

Recreation Project	336,519
Black River Road/Steeplechase	402,005
Central Carolina	3,116,220
Heritage Point #2 Building	119,084
Governors Hill Building	22,125
Airport	354,140
Land Purchase	<u>61,020</u>
Total Expenditures	<u>4,411,113</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures (1,288,672)

Other Financing Sources (Uses)

Cost of Bond Issuance	(5,441)
Interest Income	<u>29,262</u>
Total Other Financing Sources	<u>23,821</u>

Net Change in Fund Balance (1,264,851)

Fund Balance, Beginning of Year 22,397,963

Fund Balance, End of Year \$ 21,133,112

ENTERPRISE FUND

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. There are two enterprise fund utilized which are for the Sewer System and Emergency Medical Services.

KERSHAW COUNTY, SOUTH CAROLINA
SEWER SYSTEM ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

Operating Revenues

Charges for Sewer Service	\$ 1,574,562
Impact Fees and Other Charges	190,625
Miscellaneous	<u>250</u>
 Total Revenues	 <u>1,765,437</u>

Operating Expenses

Salaries and Benefits	428,044
Contractual Services	206,451
Supplies	63,801
Repairs and Maintenance	389,085
Fuel	9,860
Utilities and Telephone	285,313
Engineering	19,462
Postage	8,355
Fleet Maintenance	14,875
Miscellaneous	55,325
Retirement System Pension Expense	17,420
Depreciation	<u>568,549</u>
 Total Operating Expenses	 <u>2,081,314</u>

Operating Income (Loss) (315,877)

Non-Operating Income (Expense)

Bond Issuance Costs	(14,911)
Interest Expense	<u>(177,525)</u>
 Total Non-Operating Income (Expense)	 <u>(192,436)</u>

Income Before Contributions and Transfers (508,313)

Transfer from Special Revenue Fund	640,463
Transfer From Debt Service Fund	<u>462,727</u>
 Total Contributions and Transfers	 <u>1,103,190</u>

Change in Net Position 594,877

Net Position, Beginning of Year 12,896,315

Net Position, End of Year \$ 13,491,192

**KERSHAW COUNTY, SOUTH CAROLINA
EMERGENCY MEDICAL SERVICES ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017**

Operating Revenues

Charges for EMS Service	\$ 1,794,285
Miscellaneous	19,073
Taxes - Fee In Lieu	<u>925,000</u>
 Total Revenues	 <u>2,738,358</u>

Operating Expenses

Salaries and Benefits	2,484,204
Contractual Services	115,892
Office Supplies	213,620
Repairs and Maintenance	20,044
Fuel	49,248
Utilities and Telephone	38,952
Uniforms	27,108
Fleet Maintenance	53,602
Equipment and Supplies	49,707
Rent	16,800
Bad Debt	129,085
Insurance	9,692
Training	14,038
Miscellaneous	3,943
Retirement System Pension Expense	107,005
Depreciation	<u>221,237</u>
 Total Operating Expenses	 <u>3,554,177</u>

Operating Income (Loss) (815,819)

Non-Operating Income (Expense)

Gain on Sale of Capital Assets	<u>810</u>
 Total Non-Operating Income (Expense)	 <u>810</u>

Income Before Contributions and Transfers (815,009)

Transfer from Special Revenue Fund	<u>274,702</u>
 Total Transfers	 <u>274,702</u>

Capital Contributions 1,989

Change in Net Position (538,318)

Net Position, Beginning of Year 495,976

Net Position, End of Year \$ (42,342)

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Trust funds are used to account for assets held by the government in a trustee capacity.

**KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 2017**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash	\$ 4,187,947	\$ 2,191,203
Taxes Receivable, Net	3,565,545	-
Accounts Receivable	42,774	-
Due from General Fund	<u>2,067,981</u>	<u>-</u>
Total Assets	<u>\$ 9,864,247</u>	<u>\$ 2,191,203</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Due to Other Taxing Authorities	\$ 6,368,576	\$ -
Due to Solicitor	224,107	-
Due to KC Clean Commission	<u>14,169</u>	<u>-</u>
Total Liabilities	<u>6,606,852</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>3,257,395</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>2,191,203</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 9,864,247</u>	<u>\$ 2,191,203</u>

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OR CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash	\$ 3,922,955	\$ 108,161,405	\$ 107,896,413	\$ 4,187,947
Taxes Receivable, Net	2,773,564	3,565,545	2,773,564	3,565,545
Other Receivables	300,000	42,774	300,000	42,774
Due From General Fund	<u>884,805</u>	<u>118,376,576</u>	<u>117,193,400</u>	<u>2,067,981</u>
 Total Assets	 <u>7,881,324</u>	 <u>230,146,300</u>	 <u>228,163,377</u>	 <u>9,864,247</u>
Liabilities				
Due to Other Taxing Authorities	5,312,841	6,368,576	5,312,841	6,368,576
Due to Solicitor	40,386	224,107	40,386	224,107
Due to KC Clean Commission	<u>14,092</u>	<u>14,169</u>	<u>14,092</u>	<u>14,169</u>
Total Liabilities	<u>5,367,319</u>	<u>6,606,852</u>	<u>5,367,319</u>	<u>6,606,852</u>
 Deferred Inflows	 <u>2,514,005</u>	 <u>3,257,395</u>	 <u>2,514,005</u>	 <u>3,257,395</u>
 Total Liabilities and Deferred Inflows	 <u>\$ 7,881,324</u>	 <u>\$ 9,864,247</u>	 <u>\$ 7,881,324</u>	 <u>\$ 9,864,247</u>

KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET-ALL TRUST FUNDS
June 30, 2017

	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Master in Equity	Sheriff Drug Trust	Total
Cash	\$ 36,833	\$ 1,040,995	\$ 232,438	\$ 732,068	\$ 42,398	\$ 106,471	\$ 2,191,203
Total Assets	<u>36,833</u>	<u>1,040,995</u>	<u>232,438</u>	<u>732,068</u>	<u>42,398</u>	<u>106,471</u>	<u>2,191,203</u>

Liabilities and Net Position

Net Position							
Held in Trust	36,833	1,040,995	232,438	732,068	42,398	106,471	2,191,203
Total Net Position	<u>\$ 36,833</u>	<u>\$ 1,040,995</u>	<u>\$ 232,438</u>	<u>\$ 732,068</u>	<u>\$ 42,398</u>	<u>\$ 106,471</u>	<u>\$ 2,191,203</u>

COMPLIANCE SECTION

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November 27, 2017

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

Honorable Members of the County Council
Kershaw County
Camden, South Carolina

We have audited, in accordance with the 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 business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Kershaw County's basic financial statements and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kershaw County, South Carolina'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 Kershaw County, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Kershaw County, South Carolina'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 as that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control that we consider to be material weakness. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 17-1 to be a material weakness.

Compliance and Other Matters

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

Kershaw County, South Carolina's Response to Findings

Kershaw County, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kershaw County, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2017**

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

17-1 Oversight of the Financial Reporting Process

Condition:

Management requested us to assist in identifying adjustments to the accounting records and prepare the complete year-end financial statements including related footnote disclosures in accordance with generally accepted accounting principles. The outsourcing of these services is not unusual in municipalities of the County's size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

Criteria:

Kershaw County should have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles.

Questioned Cost:

Unknown

Recommendations:

We recommend that the County continue to evaluate the cost benefit of outsourcing these services versus incurring the internal resource cost.

View of Responsible Official and Planned Corrective Action:

Management agrees with this finding and believes that, in the best interest of the County, to continue the outsourcing of this service due to staffing and budget constraints.