

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016**

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 67, 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 68-70 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 14, 2016, 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
Certified Public Accountant

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2016**

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, 2016. 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 \$51,526,749. Of this amount, \$38,134,457 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 \$41,729,792.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$10,908,410.

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, 2016
(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, 2016
(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, 2016
(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 \$51,526,749 Looking at the net position and net expenses of governmental and business-type activities separately reflects that net position from governmental activities make up 69.6 % of total net position. The following table is a summary of the County's net position for 2016 compared to 2015.

Table 1
Kershaw County's Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current and Other Assets	\$ 51,248,248	\$ 33,822,559	\$ 17,425,689
Capital Assets	67,499,739	63,210,673	4,289,066
Deferred Outflows	<u>2,672,825</u>	<u>2,046,988</u>	<u>625,837</u>
Total Assets and Deferred Outflows	<u>121,420,812</u>	<u>99,080,220</u>	<u>22,340,592</u>
Long Term Debt Outstanding	64,933,967	46,143,145	18,790,822
Other Liabilities	4,930,801	4,522,492	408,309
Deferred Inflows	<u>29,295</u>	<u>2,087,171</u>	<u>(2,057,876)</u>
Total Liabilities and Deferred Inflows	<u>69,894,063</u>	<u>52,752,808</u>	<u>17,141,255</u>
Net Investment in Capital Assets	52,806,211	42,392,151	10,414,060
Restricted	3,980,073	9,653,006	(5,672,933)
Unrestricted	<u>(5,259,535)</u>	<u>(5,717,745)</u>	<u>458,210</u>
Total Net Assets	<u>\$ 51,526,749</u>	<u>\$ 46,327,412</u>	<u>\$ 5,199,337</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2016
(Continued)**

Change in Net Position. The following table is a summary of the County's change in net position for 2016.

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

	Governmental	Business - Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues:			
Program Fees:			
Fees, Fines and Charges for Services	\$ 7,224,519	\$ 4,222,688	\$ 11,447,207
Operating Grants	206,667	-	206,667
Capital Grants	3,502,629	-	3,502,629
General Revenues:			
Property Taxes	19,811,162	925,000	20,736,162
Miscellaneous	1,370,950	2,595	1,373,545
Unrestricted Investment Earnings	14,804	-	14,804
Intergovernmental Revenues	3,487,234	-	3,487,234
Gain on Disposition of Capital Assets	6,808	-	6,808
Transfer - Sewer Fund	<u>(573,190)</u>	<u>573,190</u>	<u>-</u>
 Total Revenues	 <u>35,051,583</u>	 <u>5,723,473</u>	 <u>40,775,056</u>
Expenses:			
General Government	10,145,171	-	10,145,171
Public Safety	9,262,482	-	9,262,482
Highways and Streets	1,509,142	-	1,509,142
Culture and Recreation	1,538,906	-	1,538,906
Sanitation	2,299,426	-	2,299,426
Other Objects	2,226,230	-	2,226,230
Capital Outlay	233,499	-	233,499
Interest and Other Charges	937,626	-	937,626
EMS	-	5,453,844	5,453,844
Sewer	<u>-</u>	<u>1,969,393</u>	<u>1,969,393</u>
 Total Expenses	 <u>28,152,482</u>	 <u>7,423,237</u>	 <u>35,575,719</u>
 Change in Net Position	 6,899,101	 (1,699,764)	 5,199,337
 Net Position, Beginning of Year	 <u>31,235,356</u>	 <u>15,092,056</u>	 <u>46,327,412</u>
 Net Position, End of Year	 <u>\$ 38,134,457</u>	 <u>\$ 13,392,292</u>	 <u>\$ 51,526,749</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2016
(Continued)**

Governmental Activities

Governmental activities increased the County's net position by \$6,899,101. The increase in net position is largely attributable to an overall increase in revenue of \$810,420 over last year.

Expenses for governmental activities increased from the previous year by \$170,527. All expense categories decreased from last fiscal year with the exception of public safety, sanitation and interest and other charges.

Business-type Activities

Business-type activities had a net position decrease of \$1,699,764. The decrease in net position is attributable to an increase in expenses of \$5,350,928, which is attributable to EMS. Charges to customers for monthly usage of the system did cover operating expenses for the current fiscal year.

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 \$41,729,792, which is an increase of \$17,479,397 over last year. Of this balance, the General fund makes up \$14,687,169—roughly 35.20%. The General fund is the main operating fund for the County.

The Special Revenue fund makes up \$3,762,829 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 \$810,709 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 \$22,469,085 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 \$965,563. Unrestricted net position for the County Emergency Medical System at the end of the year was (\$159,356). 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, 2016
(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 \$617,639 over the budgeted amount. Actual expenses for the general fund were \$1,796,525 under budget, and other financing sources and uses were \$1,835,865 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, Kershaw County had invested \$67,499,739 (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:

- Construction expenses for rehabilitation of sewer lines.
- Improvements and additions to recreation facilities.
- Infrastructure improvements to various roads in Kershaw County.
- Infrastructure improvements to the Detention Center
- Purchase of land for additional runway and airspace at Kershaw County Airport.
- Purchase of network switch upgrade
- Purchase of heavy equipment.
- Purchase of vehicles.

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	Business -Type	
	Activities	Activities	Total
	<u>2016</u>	<u>2016</u>	<u>2016</u>
Land	\$ 12,150,811	\$ 482,601	\$ 12,633,412
Construction in Progress	7,017,510	86,557	7,104,067
Building and Improvements	27,892,366	83,166	27,975,532
Office Equipment	2,189,150	-	2,189,150
Equipment	8,861,149	220,149	9,081,298
Vehicles	10,308,603	659,670	10,968,273
Infrastructure	26,570,234	24,323,038	50,893,272
Accumulated Depreciation	<u>(47,978,903)</u>	<u>(5,366,362)</u>	<u>(53,345,265)</u>
Total Net Assets	<u>\$ 47,010,920</u>	<u>\$ 20,488,819</u>	<u>\$ 67,499,739</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2016
(Continued)**

Long-term Debt

At year-end, the County had \$64,933,967 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 \$35.5 million in debt, \$5,390,943 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 Aa3 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 \$219,262,383 for the County is \$17,540,991 of which the County has \$12,150,048 available.

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

	Governmental Activities		Business -Type Activities		Total	
	2015	2016	2015	2016	2015	2016
General Obligation Bonds	\$ 2,690,000	\$ 1,690,000	\$ 8,965,760	\$ 8,440,585	\$ 11,655,760	\$ 10,130,585
IPR Bonds	8,500,000	25,404,000	-	-	8,500,000	25,404,000
Revenue Bonds	10,365	-	-	-	10,365	-
Capital Lease	1,634,410	1,863,968	-	-	1,634,410	1,863,968
Compensated Absences	650,570	636,108	11,575	41,092	662,145	677,200
Net OPEB Obligation	1,255,718	1,434,274	-	-	1,255,718	1,434,274
Net Pension Liability	20,316,667	21,258,149	439,716	2,649,654	20,756,383	23,907,803
Post-Closure Costs	1,668,364	1,516,137	-	-	1,668,364	1,516,137
Total Net Assets	<u>\$ 36,726,094</u>	<u>\$ 53,802,636</u>	<u>\$ 9,417,051</u>	<u>\$ 11,131,331</u>	<u>\$ 46,143,145</u>	<u>\$ 64,933,967</u>

EMERGENCY MEDICAL SERVICES (EMS)

In June 2015 Kershaw County took over EMS services from KershawHealth. The EMS is a proprietary fund and Council approved a budget for the 2015-2016 fiscal year.

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.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2016
(Continued)**

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.

NEXT YEAR'S BUDGETS AND RATES

The 2016-2017 original budget for the Kershaw County General Fund is \$23,182,749.

The budget for the Kershaw County sewer system for the 2016-2017 fiscal year is \$1,758,500.

The budget for the Kershaw County EMS for the 2016-2017 fiscal year is \$3,523,177.

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, 2016

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 23,343,957	\$ 590	\$ 23,344,547
Restricted Cash	23,730,187	-	23,730,187
Accounts Receivable, Net	-	400,244	400,244
Taxes Receivable, Net	898,148	-	898,148
Other Receivables	2,812,070	31,176	2,843,246
Interfund Balances	(3,379,696)	3,379,696	-
Prepaid Expenses	31,876	-	31,876
Capital Assets:			
Land	12,150,811	482,601	12,633,412
Construction in Progress	7,017,510	86,557	7,104,067
Buildings and Improvements	27,892,366	83,166	27,975,532
Office Equipment	2,189,150	-	2,189,150
Equipment	8,861,149	220,149	9,081,298
Vehicles	10,308,603	659,670	10,968,273
Infrastructure	26,570,234	24,323,038	50,893,272
Less: Accumulated Depreciation	<u>(47,978,903)</u>	<u>(5,366,362)</u>	<u>(53,345,265)</u>
Total Capital Assets, Net of Depreciation	<u>47,010,920</u>	<u>20,488,819</u>	<u>67,499,739</u>
Deferred Outflows of Resources			
Prepaid Bond Refunding Costs	14,606	-	14,606
Prepaid Pension Cost	<u>2,396,570</u>	<u>261,649</u>	<u>2,658,219</u>
Total Deferred Outflows of Resources	<u>2,411,176</u>	<u>261,649</u>	<u>2,672,825</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 96,858,638</u>	<u>\$ 24,562,174</u>	<u>\$ 121,420,812</u>

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

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2016
(Continued)

Liabilities

Accounts Payable and Accrued Liabilities	\$ 2,704,950	\$ -	\$ 2,704,950
Accrued Interest Payable	27,233	27,233	54,466
Customer Deposits Payable	-	6,580	6,580
Due to Agency Funds	884,805	-	884,805
Short-Term Bond Payable	1,280,000	-	1,280,000
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds	1,000,000	537,851	1,537,851
IPR Bonds	321,000	-	321,000
Capital Lease	537,677	-	537,677
Compensated Absences	34,664	41,092	75,756
Due in More Than One Year:			
General Obligation Bonds	690,000	7,902,734	8,592,734
IPR Bonds	25,083,000	-	25,083,000
Capital Lease	1,326,291	-	1,326,291
Compensated Absences	601,444	-	601,444
Net Pension Liability	21,258,149	2,649,654	23,907,803
Net OPEB Obligation	1,434,274	-	1,434,274
Closure and Post Closure Costs	1,516,137	-	1,516,137
	<u>58,699,624</u>	<u>11,165,144</u>	<u>69,864,768</u>

Deferred Inflows of Resources

Unavailable Revenues - Pension	<u>24,557</u>	<u>4,738</u>	<u>29,295</u>
	<u>24,557</u>	<u>4,738</u>	<u>29,295</u>

Total Liabilities and Deferred Inflows of Resources

<u>58,724,181</u>	<u>11,169,882</u>	<u>69,894,063</u>
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Net Position

Net Investment in Capital Assets	40,757,977	12,048,234	52,806,211
Restricted for:			
Debt Service	1,812,013	537,851	2,349,864
Capital Projects	1,270,613	-	1,270,613
Victims Assistance	359,596	-	359,596
Unrestricted	<u>(6,065,742)</u>	<u>806,207</u>	<u>(5,259,535)</u>
	<u>\$ 38,134,457</u>	<u>\$ 13,392,292</u>	<u>\$ 51,526,749</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, 2016

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	\$ 10,145,171	\$ 2,952,992	\$ -	\$ 3,502,629	\$ (3,689,550)	\$ -	\$ (3,689,550)
Public Safety	9,262,482	572,628	166,731	-	(8,523,123)	-	(8,523,123)
Sanitation	2,299,426	1,625,469	15,446	-	(658,511)	-	(658,511)
Highways and Streets	1,509,142	1,763,394	-	-	254,252	-	254,252
Other Objects	2,226,230	-	24,490	-	(2,201,740)	-	(2,201,740)
Culture and Recreation	1,538,906	310,036	-	-	(1,228,870)	-	(1,228,870)
Capital Outlay	233,499	-	-	-	(233,499)	-	(233,499)
Interest and Other Charges	937,626	-	-	-	(937,626)	-	(937,626)
Total Governmental Activities	28,152,482	7,224,519	206,667	3,502,629	(17,218,667)	-	(17,218,667)
Business-Type Activities:							
Emergency Medical Services	5,453,844	2,283,648	-	-	-	(3,170,196)	(3,170,196)
Sewer	1,969,393	1,939,040	-	-	-	(30,353)	(30,353)
Total Business-Type Activities	7,423,237	4,222,688	-	-	-	(3,200,549)	(3,200,549)
Total Primary Government	\$ 35,575,719	\$ 11,447,207	\$ 206,667	\$ 3,502,629	(17,218,667)	(3,200,549)	(20,419,216)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					11,607,892	-	11,607,892
Property Taxes, Levied for Debt Service					1,349,448	-	1,349,448
Public Service Taxes					1,257,607	-	1,257,607
Sales and Use Tax					4,024,655	-	4,024,655
Payments in Lieu of Taxes					1,571,560	925,000	2,496,560
Miscellaneous					1,370,950	2,595	1,373,545
Unrestricted Investment Earnings					14,804	-	14,804
Intergovernmental Revenues					3,487,234	-	3,487,234
Gain on Disposition of Capital Assets					6,808	-	6,808
Transfers - Sewer Fund					(573,190)	573,190	-
Total General Revenues					24,117,768	1,500,785	25,618,553
Change in Net Position					6,899,101	(1,699,764)	5,199,337
Net Position, Beginning of Year					31,235,356	15,092,056	46,327,412
Net Position, End of Year					\$ 38,134,457	\$ 13,392,292	\$ 51,526,749

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

**KERSHAW COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Special Revenue Fund	Kershaw Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 23,343,957	\$ -	\$ -	\$ -	\$ 23,343,957
Restricted Cash	-	1,005,049	22,224,026	501,112	23,730,187
Receivables:					
Property Taxes, Net	726,421	77,992	-	93,735	898,148
Intergovernmental	1,163,526	984,352	-	508,321	2,656,199
Other	113,045	42,826	-	-	155,871
Due From Other Funds	-	1,728,632	173,937	1,503,667	3,406,236
Prepaid Expenses	31,876	-	-	-	31,876
Total Assets	<u>\$ 25,378,825</u>	<u>\$ 3,838,851</u>	<u>\$ 22,397,963</u>	<u>\$ 2,606,835</u>	<u>\$ 54,222,474</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 2,704,950	\$ -	\$ -	\$ -	\$ 2,704,950
Compensated Absences	28,812	5,852	-	-	34,664
Short-term Bond Payable	-	-	-	1,280,000	1,280,000
Due to Other Funds	7,309,550	-	-	361,187	7,670,737
Total Liabilities	<u>10,043,312</u>	<u>5,852</u>	<u>-</u>	<u>1,641,187</u>	<u>11,690,351</u>
Deferred Inflows					
Unavailable Revenues - Property Taxes	648,344	68,523	-	83,817	800,684
Unavailable Revenues - Grants	-	1,647	-	-	1,647
Total Deferred Inflows	<u>648,344</u>	<u>70,170</u>	<u>-</u>	<u>83,817</u>	<u>802,331</u>
Fund Balances					
Nonspendable for Prepays	31,876	-	-	-	31,876
Restricted for:					
Debt Service	537,677	463,627	-	810,709	1,812,013
Capital Projects	-	1,025,553	22,397,963	71,122	23,494,638
Victims Assistance	359,596	-	-	-	359,596
Committed for:					
Library	125,001	-	-	-	125,001
Recreation	224,609	-	-	-	224,609
Capital Trial	500,000	-	-	-	500,000
Budget Reserves	2,000,000	-	-	-	2,000,000
Assigned	-	2,273,649	-	-	2,273,649
Unassigned	10,908,410	-	-	-	10,908,410
Total Fund Balances	<u>14,687,169</u>	<u>3,762,829</u>	<u>22,397,963</u>	<u>881,831</u>	<u>41,729,792</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 25,378,825</u>	<u>\$ 3,838,851</u>	<u>\$ 22,397,963</u>	<u>\$ 2,606,835</u>	<u>\$ 54,222,474</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, 2016

Total Fund Balances - Governmental Funds (Exhibit C) \$ 41,729,792

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	800,684
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 \$94,989,823 and the accumulated depreciation is \$47,978,903

47,010,920

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.

(1,434,274)

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.

(27,233)

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	(21,258,149)
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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 \$2,396,570 = \$1,109,927 deferred outflows of resources pension expense (from pension schedule)	
+ \$1,286,643 deferred outflow of 2016 employer contributions related to pensions	2,396,570

Deferred inflows of resources related to pensions (from pension schedule)	(24,557)
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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	(690,000)
General Obligation Bonds - Current	(1,000,000)
IPR Bonds	(25,083,000)
IPR Bonds - Current	(321,000)
Capital Lease	(1,326,291)
Capital Lease - Current	(537,677)
Deferred Refunding Charges, Net of Accumulated Amortization of \$32,578	14,606
Compensated Absences	(601,444)
Closure and Post Closure Costs	<u>(1,516,137)</u>

Total Net Position - Governmental Activities (Exhibit A) **\$ 38,134,457**

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, 2016

	General Fund	Special Revenue Fund	Kershaw Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 14,842,628	\$ 3,099,902	\$ -	\$ 1,982,232	\$ 19,924,762
Licenses, Permits and Fees	4,030,694	1,639,532	-	-	5,670,226
Intergovernmental Revenues	2,691,579	795,656	-	-	3,487,235
Charges for Services	651,809	-	-	-	651,809
Fines and Forfeits	486,864	188,543	-	12,037	687,444
Miscellaneous	<u>234,304</u>	<u>2,384,108</u>	<u>-</u>	<u>2,694,861</u>	<u>5,313,273</u>
Total Revenues	<u>22,937,878</u>	<u>8,107,741</u>	<u>-</u>	<u>4,689,130</u>	<u>35,734,749</u>
Expenditures					
Current:					
General Government	8,725,515	1,100,793	-	-	9,826,308
Public Safety	6,768,611	1,339,840	-	-	8,108,451
Highways and Streets	1,289,045	28,938	-	-	1,317,983
Culture and Recreation	1,343,167	-	-	-	1,343,167
Sanitation	-	2,145,121	-	-	2,145,121
Other Objects	1,993,854	232,376	-	-	2,226,230
Capital Outlay	231,224	3,432,233	1,545,155	2,707,362	7,915,974
Debt Service:					
Principal	14,872	924,374	-	1,296,000	2,235,246
Interest and Other Charges	<u>99</u>	<u>10,883</u>	<u>98,624.00</u>	<u>522,865</u>	<u>632,471</u>
Total Expenditures	<u>20,366,387</u>	<u>9,214,558</u>	<u>1,643,779</u>	<u>4,526,227</u>	<u>35,750,951</u>
Excess of Revenues Over (Under)					
Expenditures	<u>2,571,491</u>	<u>(1,106,817)</u>	<u>(1,643,779)</u>	<u>162,903</u>	<u>(16,202)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	6,808	-	-	-	6,808
Cost of Bond Issuance	-	-	(289,358)	(14,430)	(303,788)
Lease Proceeds	-	1,162,147	-	-	1,162,147
Bond Proceeds	-	-	17,200,000	-	17,200,000
Interest Income	-	-	3,622	-	3,622
Transfer to Proprietary Fund	-	(350,463)	-	(222,727)	(573,190)
Transfer to Debt Service Fund	-	-	(2)	-	(2)
Transfer from KFC Projects Fund	-	-	-	2	2
Transfer from General Fund	-	2,000,000	-	-	2,000,000
Transfer to Special Revenue Fund	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
Total Other Financing Sources (Uses)	<u>(1,993,192)</u>	<u>2,811,684</u>	<u>16,914,262</u>	<u>(237,155)</u>	<u>17,495,599</u>
Net Change in Fund Balances	578,299	1,704,867	15,270,483	(74,252)	17,479,397
Fund Balances, Beginning of Year	<u>14,108,870</u>	<u>2,057,962</u>	<u>7,127,480</u>	<u>956,083</u>	<u>24,250,395</u>
Fund Balances, End of Year	<u>\$ 14,687,169</u>	<u>\$ 3,762,829</u>	<u>\$ 22,397,963</u>	<u>\$ 881,831</u>	<u>\$ 41,729,792</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, 2016

Total Net Change In Fund Balances - Governmental Funds (Exhibit E) \$ 17,479,397

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 \$7,682,475 exceeds depreciation expense of \$3,277,687 in the period. 4,404,788

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. (6,808)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position (17,200,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,306,365

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 932,589

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 decreased in the current year. (113,598)

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position (1,162,147)

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, vacation used exceeded the amount earned by this amount. (65,513)

In the Statement of Activities, an amount is expensed for closure and post-closure costs. Such costs are not accrued in the governmental funds. 152,227

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. (178,556)

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 decreased in the current year. 1,665

Governmental funds report town 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 pension contributions	\$ 1,286,643	
Cost of benefits earned net of employee contributions (pension benefit from SCRS benefit schedule)	68,789	1,355,432

Change in Net Position of Governmental Activities (Exhibit B) **\$ 6,899,101**

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, 2016

	<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	142,116	258,128	400,244
Other Receivables	31,176	-	31,176
Due from General Fund	<u>1,707,495</u>	<u>1,672,201</u>	<u>3,379,696</u>
Total Current Assets	<u>1,881,377</u>	<u>1,930,329</u>	<u>3,811,706</u>
Non-Current Assets:			
Capital Assets:			
Land	465,301	17,300	482,601
Construction in Progress	86,557	-	86,557
Building and Building Improvements	-	83,166	83,166
Sewer System Infrastructure	24,323,038	-	24,323,038
Equipment	210,149	10,000	220,149
Vehicles	-	659,670	659,670
Less: Accumulated Depreciation	<u>(5,251,558)</u>	<u>(114,804)</u>	<u>(5,366,362)</u>
Total Non-Current Assets	<u>19,833,487</u>	<u>655,332</u>	<u>20,488,819</u>
Deferred Outflows of Resources			
Prepaid Pension Cost	<u>34,014</u>	<u>227,635</u>	<u>261,649</u>
Total Assets and Deferred Outflows of Resources	<u><u>21,748,878</u></u>	<u><u>2,813,296</u></u>	<u><u>24,562,174</u></u>
Liabilities			
Current Liabilities:			
Accrued Interest Payable	27,233	-	27,233
Customer Deposits Payable	6,580	-	6,580
Compensated Absences	33,093	7,999	41,092
Current Portion of General Obligation Bonds Payable	<u>537,851</u>	<u>-</u>	<u>537,851</u>
Total Current Liabilities	<u>604,757</u>	<u>7,999</u>	<u>612,756</u>
Long-term Liabilities:			
Net Pension Liability	344,455	2,305,199	2,649,654
General Obligation Bonds Payable	<u>7,902,734</u>	<u>-</u>	<u>7,902,734</u>
Total Long-term Liabilities	<u>8,247,189</u>	<u>2,305,199</u>	<u>10,552,388</u>
Deferred Inflows of Resources			
Unavailable Revenue - Pension	<u>616</u>	<u>4,122</u>	<u>4,738</u>
Total Deferred Inflows of Resources	<u>616</u>	<u>4,122</u>	<u>4,738</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>8,852,562</u></u>	<u><u>2,317,320</u></u>	<u><u>11,169,882</u></u>
Net Position			
Net Investment in Capital Assets	11,392,902	655,332	12,048,234
Restricted for Debt Service	537,851	-	537,851
Unrestricted	<u>965,563</u>	<u>(159,356)</u>	<u>806,207</u>
Total Net Position	<u><u>\$ 12,896,316</u></u>	<u><u>\$ 495,976</u></u>	<u><u>\$ 13,392,292</u></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, 2016

	<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	\$ 1,676,126	\$ 2,283,648	\$ 3,959,774
Impact Fees and Other Charges	262,914	-	262,914
Taxes - Fee in Lieu	-	925,000	925,000
Miscellaneous	<u>1,395</u>	<u>1,200</u>	<u>2,595</u>
Total Revenues	<u>1,940,435</u>	<u>3,209,848</u>	<u>5,150,283</u>
Operating Expenses			
Salaries and Benefits	307,258	1,982,621	2,289,879
Contractual Services	174,137	142,463	316,600
Office Supplies	44,677	134,057	178,734
Repairs and Maintenance	331,958	13,976	345,934
Fuel	7,873	45,369	53,242
Utilities and Telephone	319,479	37,927	357,406
Uniforms	-	26,981	26,981
Engineering	83,009	-	83,009
Postage	6,628	-	6,628
Fleet Maintenance	9,490	69,929	79,419
Equipment and Supplies	-	69,402	69,402
Rent	-	16,800	16,800
Bad Debt	-	726,840	726,840
Insurance	-	9,692	9,692
Training	-	10,702	10,702
Miscellaneous	80,275	804	81,079
Retirement System Pension Expense	(126,387)	2,081,686	1,955,299
Depreciation	<u>535,342</u>	<u>84,595</u>	<u>619,937</u>
Total Operating Expenses	<u>1,773,739</u>	<u>5,453,844</u>	<u>7,227,583</u>
Operating Income (Loss)	<u>166,696</u>	<u>(2,243,996)</u>	<u>(2,077,300)</u>
Non-Operating Income (Expense)			
Interest Expense	<u>(195,654)</u>	<u>-</u>	<u>(195,654)</u>
Total Non-Operating Income (Expense)	<u>(195,654)</u>	<u>-</u>	<u>(195,654)</u>
Income Before Contributions and Transfers	<u>(28,958)</u>	<u>(2,243,996)</u>	<u>(2,272,954)</u>
Transfer to General Fund	350,463	-	350,463
Transfer from Debt Service Fund	<u>222,727</u>	<u>-</u>	<u>222,727</u>
Total Transfers	<u>573,190</u>	<u>-</u>	<u>573,190</u>
Change in Net Position	544,232	(2,243,996)	(1,699,764)
Net Position, Beginning of Year	<u>12,352,084</u>	<u>2,739,972</u>	<u>15,092,056</u>
Net Position, End of Year	<u>\$ 12,896,316</u>	<u>\$ 495,976</u>	<u>\$ 13,392,292</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, 2016

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 4,895,014
Cash Paid to Suppliers	(2,501,368)
Cash Paid for Salaries and Employee Benefits	(2,260,362)
Customer Deposits Refunded	<u>(210)</u>
Net Cash Provided by Operating Activities	<u>133,074</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers to Other Funds	350,463
Operating Transfers from Other Funds	222,727
Increase in Due from Other Funds	<u>527,252</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,100,442</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(511,023)
Principal Paid on Revenue Bond Maturities	(525,175)
Interest Paid	<u>(197,318)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,233,516)</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>\$ 590</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, 2016
(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	Enterprise Funds
Operating Income	\$ (2,077,300)
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	619,937
(Increase) in Accounts Receivable	(237,909)
(Increase) in Other Receivables	(17,360)
(Increase) in Deferred Outflows	(222,306)
(Decrease) in Deferred Inflows	(171,233)
Increase in Net Pension Liability	2,209,938
(Decrease) in Customer Deposits	(210)
Increase in Compensated Absences	<u>29,517</u>
Net Cash Provided by Operating Activities	<u>\$ 133,074</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, 2016

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 3,922,955	\$ 1,984,605
Taxes Receivable, Net	2,773,564	-
Other Receivables	300,000	-
Due from General Fund	<u>884,805</u>	<u>-</u>
Total Assets	<u><u>7,881,324</u></u>	<u><u>1,984,605</u></u>
Liabilities		
Due to Other Taxing Units	5,312,841	-
Due to Solicitor	40,386	-
Due to KC Clean Commission	<u>14,092</u>	<u>-</u>
Total Liabilities	<u><u>5,367,319</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>2,514,005</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>1,984,605</u>
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ 1,984,605</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, 2016

	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Master in Equity	Sheriff Drug Trust	Total
Additions							
Inmate Deposits	\$ 309,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,764
Land Sales	-	3,527,284	-	-	-	-	3,527,284
Bonds, Fines and Fees	-	-	1,981,725	6,293,161	-	-	8,274,886
Escrow Funds	-	-	-	-	1,340,218	-	1,340,218
Seizures	-	-	-	-	-	48,311	48,311
Interest	-	-	93	1,413	-	20	1,526
Total Additions	<u>309,764</u>	<u>3,527,284</u>	<u>1,981,818</u>	<u>6,294,574</u>	<u>1,340,218</u>	<u>48,331</u>	<u>13,501,989</u>
Deductions							
Inmate Withdrawals	311,030	-	-	-	-	-	311,030
Disbursement of Sales Proceeds	-	3,657,585	-	-	-	-	3,657,585
Disbursement of Bonds, Fines and Fees	-	-	1,966,963	6,231,197	-	-	8,198,160
Disbursement of Escrow Funds	-	-	-	-	1,338,144	16,982	1,355,126
Total Deductions	<u>311,030</u>	<u>3,657,585</u>	<u>1,966,963</u>	<u>6,231,197</u>	<u>1,338,144</u>	<u>16,982</u>	<u>13,521,901</u>
Change to Fiduciary Net Position	<u>(1,266)</u>	<u>(130,301)</u>	<u>14,855</u>	<u>63,377</u>	<u>2,074</u>	<u>31,349</u>	<u>(19,912)</u>
Net Position, Beginning of Year	<u>43,988</u>	<u>1,036,253</u>	<u>226,438</u>	<u>601,228</u>	<u>9,926</u>	<u>86,692</u>	<u>2,004,525</u>
Net Position, End 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>

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

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016
(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, 2016
(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, 2016
(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, 2016
(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, 2016
(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 as their major receivables.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(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 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, 2016.

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, 2016
(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, 2016
(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, 2016
(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, 2016
(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, 2016
(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, 2016, \$52,932,097 of the County's bank balance of \$53,726,090, which has a carrying value of \$53,108,252 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the County's name	<u>\$ 52,932,097</u>
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Investments

As of June 30, 2016, 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	\$23,230,068	\$23,230,068

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, 2016, 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, 2016
(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, 2016, is presented below.

	<u>Governmental Fund Type</u>			<u>Fiduciary Fund Type</u>	
	General Fund	Special Revenue Fund	Debt Service Fund	Agency Fund	<u>Total</u>
Taxes Receivable	\$ 1,184,215	\$ 127,143	\$ 152,807	\$ 4,521,476	\$ 5,985,641
Less: Allowance for Doubtful Accounts	(457,794)	(49,151)	(59,072)	(1,747,912)	(2,313,929)
Net Taxes Receivable	<u>\$ 726,421</u>	<u>\$ 77,992</u>	<u>\$ 93,735</u>	<u>\$ 2,773,564</u>	<u>\$ 3,671,712</u>

Note 4. Other Receivables

Other governmental receivables at June 30, 2016, 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, 2016, (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, 2016
(Continued)

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 7,309,550
Special Revenue Fund	1,728,632	
Capital Projects Fund	-	187,250
Debt Service Fund	1,503,667	-
Proprietary Fund - Sewer	1,707,495	-
Proprietary Fund - EMS	1,672,201	-
Agency Fund	<u>884,805</u>	<u>-</u>
 Totals	 <u>\$ 7,496,800</u>	 <u>\$ 7,496,800</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.

Note 6. Capital Assets

Capital Asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities

Non-depreciable Assets:	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ 11,525,461	\$ 625,350	\$ -	\$ 12,150,811
Construction in Progress	2,331,656	5,979,664	(1,293,810)	7,017,510
Depreciable Assets:				
Buildings and Improvements	27,892,366	-	-	27,892,366
Office Equipment	1,792,396	396,754	-	2,189,150
Equipment	8,649,689	294,644	(83,184.00)	8,861,149
Vehicles	9,694,111	705,973	(91,481)	10,308,603
Infrastructure	<u>25,603,142</u>	<u>967,092</u>	<u>-</u>	<u>26,570,234</u>
Totals	<u>87,488,821</u>	<u>8,969,477</u>	<u>(1,468,475)</u>	<u>94,989,823</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(10,491,003)	(893,722)	-	(11,384,725)
Office Equipment	(863,670)	(210,280)	-	(1,073,950)
Equipment	(6,544,380)	(830,827)	83,184	(7,292,023)
Vehicles	(8,078,509)	(702,156)	91,481	(8,689,184)
Infrastructure	<u>(18,898,319)</u>	<u>(640,702)</u>	<u>-</u>	<u>(19,539,021)</u>
Totals	<u>(44,875,881)</u>	<u>(3,277,687)</u>	<u>174,665</u>	<u>(47,978,903)</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,612,940</u>	<u>\$ 5,691,790</u>	<u>\$ (1,293,810)</u>	<u>\$ 47,010,920</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(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	233,006	86,557	(233,006)	86,557
Depreciable Assets:				
Sewer System	24,090,032	233,006	-	24,323,038
Equipment	<u>181,102</u>	<u>29,047</u>	<u>-</u>	<u>210,149</u>
Totals	<u>24,969,441</u>	<u>348,610</u>	<u>(233,006)</u>	<u>25,085,045</u>

Less: Accumulated Depreciation

Sewer System	(4,592,151)	(517,733)	-	(5,109,884)
Equipment	<u>(124,065)</u>	<u>(17,609)</u>	<u>-</u>	<u>(141,674)</u>
Totals	<u>(4,716,216)</u>	<u>(535,342)</u>	<u>-</u>	<u>(5,251,558)</u>

Business-type Activities

Capital Assets,

Net	<u>\$ 20,253,225</u>	<u>\$ (186,732)</u>	<u>\$ (233,006)</u>	<u>\$ 19,833,487</u>
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Emergency Medical Services Fund

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Non-depreciable Assets:				
Land	\$ 17,300	\$ -	\$ -	\$ 17,300
Construction in Progress	40,081	12,075	(52,156)	-
Depreciable Assets:				
Building and Improvements	31,010	52,156	-	83,166
Equipment	<u>286,325</u>	<u>383,345</u>	<u>-</u>	<u>669,670</u>
Totals	<u>374,716</u>	<u>447,576</u>	<u>(52,156)</u>	<u>770,136</u>

Less: Accumulated Depreciation

Building and Improvements	(16)	(11,975)	-	(11,991)
Equipment	<u>(30,192)</u>	<u>(72,621)</u>	<u>-</u>	<u>(102,813)</u>
Totals	<u>(30,208)</u>	<u>(84,596)</u>	<u>-</u>	<u>(114,804)</u>

Business-type Activities

Capital Assets,

Net	<u>\$ 344,508</u>	<u>\$ 362,980</u>	<u>\$ (52,156)</u>	<u>\$ 655,332</u>
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Depreciation expense was charged to governmental activities as follows:

General Government	\$ 1,416,176
Highways and Streets	190,231
Public Safety	1,168,561
Sanitation	309,147
Culture and Recreation	<u>193,572</u>
Governmental Activities	
Total Depreciation Expense	<u>\$ 3,277,687</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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, 2016:

	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
<i>Governmental Activities</i>			
Bethune Fire	\$ 58,427	\$ 58,427	\$ -
Elgin Library	28,804	28,804	-
Airport Runway FAA 22	2,442,752	2,442,752	-
Governors Hill Waterline	802,330	802,330	-
CAD Public Safety	340,888	722,308	381,420
Central Carolina	112,726	663,579	550,853
Detention Center	1,590,522	1,994,201	403,679
KC West	665,184	673,134	7,950
Recreation Office	81,500	84,223	2,723
Larry Doby Park	320,493	337,254	16,761
Woodward Park	23,913	24,807	894
Conifer Acres	8,263	8,263	-
Seaboard	322,856	322,856	-
Westville	10,858	10,858	-
Tremble Branch	118,435	407,131	288,696
Whitehead Road	36,517	40,550	4,033
Steeple Chase Road Extension	39,526	106,929	67,403
KC West Entrance	13,516	21,300	7,784
Total	<u>\$ 7,017,510</u>	<u>\$ 8,749,706</u>	<u>\$ 1,732,196</u>
	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	<u>\$ 86,557</u>	<u>\$ 86,557</u>	<u>\$ -</u>

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2016, are as follows:

Accounts Payable	\$ 1,528,868
Accrued Payroll, Withholdings, Fringe and Benefits	<u>1,176,082</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 2,704,950</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

The following is a summary of changes in short-term debt for the year ended June 30, 2016:

	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2016</u>
<i>Governmental Activities:</i>				
G.O. Bond Taxable Series 2016	\$ -	\$ 1,280,000	\$ -	\$ 1,280,000

Short-term debt was used to pay principal and interest payments related to the 2014, 2015A and 2015B IPR Bonds. This bond is applicable to the County's 8% debt limit.

Note 9. Long-term Debt

Governmental Activities:

As of June 30, 2016, 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, 2016 was \$1,690,000. 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.

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, 2016 was \$8,204,000.

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, 2016 was \$13,470,000.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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, 2016 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				
<u>June 30,</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2017	\$ 1,321,000	\$	1,036,880	\$ 2,357,880
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
2022-2026	5,594,000		3,908,578	9,502,578
2027-2031	2,470,000		3,288,235	5,758,235
2032-2036	3,155,000		2,609,275	5,764,275
2034-2041	4,065,000		1,695,275	5,760,275
2041-2046	4,085,000		524,555	4,609,555
	<u>\$ 27,094,000</u>	<u>\$</u>	<u>16,879,040</u>	<u>\$ 43,973,040</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 installments beginning July 30, 2013. As of June 30, 2016, the County had an outstanding balance of \$621,430.

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, 2016, the County had an outstanding balance of \$84,619.

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, 2016, the County had an outstanding balance of \$291,658.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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, 2016, the County had an outstanding balance of \$866,261.

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, 2016.

Year Ending June 30,	
2017	\$ 537,677
2018	1,057,473
2019	<u>295,886</u>
Total minimum lease payments	1,891,036
Less: Amounts representing interest	<u>(16,553)</u>
Present value of future minimum lease payments	<u><u>\$ 1,874,483</u></u>

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, 2016 was \$4,070,448.

On January 8, 2008, the County issued Series 2008B General Obligation Bonds totaling \$3,598,630 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, 2016 was \$2,420,944. This bond is applicable to the County's 8% debt limit.

On January 6, 2012, the County issued SRF loan General Obligation Bonds totaling \$2,416,405 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, 2016 was \$1,949,194.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 537,851	\$ 185,710	\$ 723,561
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
2022-2026	3,148,182	469,618	3,617,800
2027-2031	2,417,827	117,353	2,535,180
2032	<u>60,480</u>	<u>504</u>	<u>60,984</u>
	<u>\$ 8,440,585</u>	<u>\$ 1,391,182</u>	<u>\$ 9,831,767</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(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, 2016.

	Balance <u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2016</u>	Due Within <u>One Year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 2,690,000	\$ -	\$ (1,000,000)	\$ 1,690,000	\$ 1,000,000
Facilities IPR Bonds	8,500,000	-	(296,000)	8,204,000	321,000
Facilities IPR Bonds	-	13,470,000	-	13,470,000	-
Facilities IPR Bonds	-	3,730,000	-	3,730,000	-
Revenue Bonds	10,365	-	(10,365)	-	-
Capital Lease	1,634,410	1,162,147	(932,589)	1,863,968	537,677
Compensated Absences	650,569	636,108	(650,569)	636,108	34,664
Net OPEB Obligation	1,255,718	178,556	-	1,434,274	-
Post-closure Costs	<u>1,668,364</u>	<u>-</u>	<u>(152,227)</u>	<u>1,516,137</u>	<u>-</u>
Total	<u>\$ 16,409,426</u>	<u>\$ 19,176,811</u>	<u>\$ (3,041,750)</u>	<u>\$ 32,544,487</u>	<u>\$ 1,893,341</u>
<i>Business-type Activities:</i>					
2008A G.O. Bonds	\$ 4,325,725	-	(255,278)	4,070,447	\$ 261,070
2008B G.O. Bonds	2,586,859	-	(165,916)	2,420,943	169,681
SRF G.O. Bonds	2,053,176	-	(103,981)	1,949,195	107,100
Compensated Absences	<u>11,576</u>	<u>41,092</u>	<u>(11,576)</u>	<u>41,092</u>	<u>41,092</u>
Total	<u>\$ 8,977,336</u>	<u>\$ 41,092</u>	<u>\$ (536,751)</u>	<u>\$ 8,481,677</u>	<u>\$ 578,943</u>

Note 11. Restricted Cash

Certain resources, which have been set aside for Steeplechase Building, E-911 Tariff, drug seizure and unclaimed funds expenditures are classified as restricted cash on the General and Special Revenue Fund's balance sheet because their use is limited. The amount of restricted cash held by the General Fund and Special Revenue Fund amounted to \$8,549,495 as of June 30, 2016.

Note 12. Debt Limitations

The amount of legal debt margin as of June 30, 2016, is computed as follows:

Total Assessed Value	<u>\$ 219,262,383</u>
Debt Limit 8% of Assessed Value	17,540,991
Amount of Debt Applicable to Limit	<u>(5,390,943)</u>
Legal Debt Margin	<u>\$ 12,150,048</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(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, 2016
(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 2015-2016 are as follows:

SCRS

Employee Class Two	8.16 % of earnable compensation
Employee Class Three	8.16 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.74 % of earnable compensation
Employee Class Three	8.74 % of earnable compensation

Required employer contributions for fiscal year 2015-2016 are as follows:

SCRS

Employer Class Two	10.91 % of earnable compensation
Employer Class Three	10.91 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	13.34 % of earnable compensation
Employee Class Three	13.34 % 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, 2016, the County reported a liability of \$16,381,435 for the SCRS and \$7,526,368 for the PORS for a total of \$23,907,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the County's proportion was 0.086375 percent for the SCRS and .34533 percent for the PORS.

For the year ended June 30, 2016, the County recognized pension benefit of \$282,915. 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, \$2,628,924. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 440,215	\$ 29,295
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	192,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	598,490	-
Town contributions subsequent to measurement date	<u>1,427,514</u>	<u>-</u>
Total	<u>\$ 2,658,219</u>	<u>\$ 29,295</u>

The amount of \$1,427,514 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, 2016. 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>
2016	\$ 179,492	\$ 89,917	\$ 269,409
2017	179,492	89,917	269,409
2018	79,524	83,329	162,853
2019	<u>278,902</u>	<u>220,837</u>	<u>499,739</u>
Total	<u>\$ 717,410</u>	<u>\$ 484,000</u>	<u>\$ 1,201,410</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, 2016, is currently underway.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
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, 2015 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, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission (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 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	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	\$ 20,652,309	\$ 16,381,435	\$ 12,801,900
PORS	\$ 10,252,670	\$ 7,526,368	\$ 5,089,201

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'

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

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.

Payables to the Pension Plan- The County reported a payable to the SCRS as of June 30, 2016 in the amount of \$225,126.

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, 2015, the measurement date, there were 303 covered participants; fifty nine (59) members are retirees receiving benefits and 244 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

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

a period not to exceed 30 years. The current ARC rate is based on a level percent of payroll increasing annually at 2.5%.

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, 2015
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

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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

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

Schedule of Employer Contributions: Contributions include \$207,186 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 2016 were as follows:

1) Net OPEB Obligation, Beginning of the Plan Year	\$ 1,255,718
2) One Year's Interest on the Net OPEB Obligation	50,229
3) Annual Required Contribution (Normal Cost Plus Any Amortized Payments)	453,005
4) Adjustment to Annual Required Contribution	(69,825)
5) Annual OPEB Cost: (2)+(3)+(4)	433,409
6) Contributions Made for the Plan Year	254,853
7) Increase in Net OPEB Obligation (5)-(6)	178,556
8) Net OPEB Obligation, End of the Plan Year (1)+(7)	\$ 1,434,274

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, 2016, open contracts and project budgets for construction totaled \$8,836,263 of which \$7,104,067 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.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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.

The County paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$549,437 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 \$373,918 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 \$1,668,364 as of June 30, 2016, which is based on total post closure-costs for the Park Road and Lugoff-Elgin landfills of \$801,041 and \$931,188, 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, 2016. 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 \$152,227.

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.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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.

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, 2016, 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	(350,463)
Transfer from General Fund	<u>2,000,000</u>
Net Total Transfer from Devt Service Fund	1,649,537
<i>Debt Service Fund</i>	
Transfer from Capital Projects Fund	2
Transfer to Proprietary Fund	<u>(222,727)</u>
Net Total Transfer from Devt Service Fund	(222,725)
<i>Capital Projects Fund</i>	
Transfer to Debt Service Fund	<u>(2)</u>
<i>Proprietary Fund</i>	
Transfer from Special Revenue Fund	350,463
Transfer from Debt Service Fund	<u>222,727</u>
Net Total Transfer to Proprietary Fund	<u>573,190</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.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

Transfers from: Funds were transferred into the Debt Service Fund from the Capital Projects Funds to cover interest and debt payments.

Capital Projects Fund

Transfers to: Funds were transferred from the Capital Projects Fund into the Debt Service Fund to cover interest and debt payments.

Proprietary Fund

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

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, 2016.

The County has an operating lease with Dell Financial Services for computers and various related equipment. The lease term is for 3 years starting September 1, 2015, and August 31, 2018. 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. Subsequent Events

The County has evaluated subsequent events through November 14, 2016, which is the date the financial statements were available to be issued. During this period, the County did have one material subsequent event that required recognition in the County's disclosures to the financial statements at June 30, 2016.

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, 2016

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property Taxes - Net	\$ 8,852,262	\$ 8,051,145	\$ (801,117)
Vehicle Taxes - Net	1,262,100	1,585,237	323,137
Delinquent Taxes - Net	600,000	468,772	(131,228)
Fee In Lieu of Taxes	581,200	654,490	73,290
Local Option Sales Tax	2,400,000	3,137,201	737,201
Homestead Exemption	659,200	712,449	53,249
Manufacturer Reimbursement	168,300	179,740	11,440
Inventory Replacement	52,500	53,594	1,094
	<u>14,575,562</u>	<u>14,842,628</u>	<u>267,066</u>
Total Taxes			
Licenses, Fees and Permits			
Planning and Zoning	408,352	455,041	46,689
Delinquent Tax Collector	320,000	421,992	101,992
Clerk of Court	286,528	283,124	(3,404)
Register of Deeds	381,270	404,633	23,363
Probate Court	125,000	150,016	25,016
Master in Equity	100,000	77,766	(22,234)
Sheriff	228,200	273,291	45,091
Motor Carrier Fees	74,400	90,532	16,132
Road Maintenance Fees	1,600,500	1,656,423	55,923
Cable Franchise Fees	155,000	217,876	62,876
	<u>3,679,250</u>	<u>4,030,694</u>	<u>351,444</u>
Total Licenses, Fees and Permits			
Intergovernmental Revenue			
Aid to Subdivisions	2,274,500	2,283,053	8,553
DSS Rent Reimbursement	83,000	72,282	(10,718)
DSS Unit Cost	156,000	144,928	(11,072)
Veterans Service Offices	5,100	5,202	102
Election Commission	89,950	50,361	(39,589)
Clerk of Court	480	-	(480)
Accommodations Tax	29,000	29,403	403
Library Aid	70,000	98,475	28,475
Salary Supplements	7,878	7,875	(3)
	<u>2,715,908</u>	<u>2,691,579</u>	<u>(24,329)</u>
Total Intergovernmental Revenue			
Charges for Services			
Library	17,000	21,610	4,610
Recreation	306,000	310,036	4,036
Airport	60,200	99,790	39,590
Other	200,675	220,373	19,698
	<u>583,875</u>	<u>651,809</u>	<u>67,934</u>
Total Charges for Services			

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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Fines and Forfeitures			
Magistrate	\$ 500,000	\$ 450,034	\$ (49,966)
Library	17,000	16,493	(507)
Rental and Leases	8,800	7,990	(810)
Litter Pickup	1,200	1,230	30
Interest Earned	<u>2,000</u>	<u>11,117</u>	<u>9,117</u>
Total Fines and Forfeitures	<u>529,000</u>	<u>486,864</u>	<u>(42,136)</u>
Miscellaneous			
Donations	-	1,211	1,211
Other	<u>236,644</u>	<u>233,093</u>	<u>(3,551)</u>
Total Miscellaneous	<u>236,644</u>	<u>234,304</u>	<u>(2,340)</u>
Total Revenues	<u>22,320,239</u>	<u>22,937,878</u>	<u>617,639</u>
Expenditures			
General Government			
County Council			
Operating	22,753	34,396	(11,643)
Personnel	<u>191,348</u>	<u>189,506</u>	<u>1,842</u>
Total County Council	<u>214,101</u>	<u>223,902</u>	<u>(9,801)</u>
County Administrator			
Operating	59,169	73,627	(14,458)
Personnel	<u>302,468</u>	<u>307,905</u>	<u>(5,437)</u>
Total County Administrator	<u>361,637</u>	<u>381,532</u>	<u>(19,895)</u>
Finance			
Operating	103,202	83,184	20,018
Personnel	<u>392,617</u>	<u>394,491</u>	<u>(1,874)</u>
Total Finance	<u>495,819</u>	<u>477,675</u>	<u>18,144</u>
Human Resources			
Operating	26,220	25,561	659
Personnel	<u>66,125</u>	<u>66,777</u>	<u>(652)</u>
Total Human Resources	<u>92,345</u>	<u>92,338</u>	<u>7</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
County Attorney			
Operating	\$ 45,336	\$ 106,073	\$ (60,737)
Personnel	<u>111,882</u>	<u>112,246</u>	<u>(364)</u>
Total County Attorney	<u>157,218</u>	<u>218,319</u>	<u>(61,101)</u>
Information Technology			
Operating	272,344	247,851	24,493
Personnel	<u>168,705</u>	<u>131,405</u>	<u>37,300</u>
Total Information Technology	<u>441,049</u>	<u>379,256</u>	<u>61,793</u>
Building Maintenance			
Operating	475,643	414,405	61,238
Personnel	<u>270,315</u>	<u>282,496</u>	<u>(12,181)</u>
Total Building Maintenance	<u>745,958</u>	<u>696,901</u>	<u>49,057</u>
Planning and Zoning			
Operating	118,329	65,120	53,209
Personnel	<u>349,381</u>	<u>339,908</u>	<u>9,473</u>
Total Planning and Zoning	<u>467,710</u>	<u>405,028</u>	<u>62,682</u>
County Engineer			
Operating	22,001	18,858	3,143
Personnel	<u>131,530</u>	<u>129,467</u>	<u>2,063</u>
Total County Engineer	<u>153,531</u>	<u>148,325</u>	<u>5,206</u>
Assessor			
Operating	74,551	61,853	12,698
Personnel	<u>470,993</u>	<u>449,900</u>	<u>21,093</u>
Total Assessor	<u>545,544</u>	<u>511,753</u>	<u>33,791</u>
Auditor			
Operating	58,857	60,176	(1,319)
Personnel	<u>214,864</u>	<u>195,021</u>	<u>19,843</u>
Total Auditor	<u>273,721</u>	<u>255,197</u>	<u>18,524</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Delinquent Tax Collector			
Operating	\$ 181,483	\$ 159,205	\$ 22,278
Personnel	<u>102,836</u>	<u>102,976</u>	<u>(140)</u>
Total Delinquent Tax Collector	<u>284,319</u>	<u>262,181</u>	<u>22,138</u>
 Treasurer			
Operating	125,670	108,246	17,424
Personnel	<u>241,621</u>	<u>237,214</u>	<u>4,407</u>
Total Treasurer	<u>367,291</u>	<u>345,460</u>	<u>21,831</u>
 Clerk of Court			
Operating	93,841	74,814	19,027
Personnel	<u>288,336</u>	<u>278,189</u>	<u>10,147</u>
Total Clerk of Court	<u>382,177</u>	<u>353,003</u>	<u>29,174</u>
 Family Court			
Operating	54,245	52,553	1,692
Personnel	<u>228,341</u>	<u>224,156</u>	<u>4,185</u>
Total Family Court	<u>282,586</u>	<u>276,709</u>	<u>5,877</u>
 Summary Court			
Operating	82,545	64,209	18,336
Personnel	<u>689,794</u>	<u>676,692</u>	<u>13,102</u>
Total Summary Court	<u>772,339</u>	<u>740,901</u>	<u>31,438</u>
 Probate Court			
Operating	34,868	24,910	9,958
Personnel	<u>273,970</u>	<u>255,525</u>	<u>18,445</u>
Total Probate Court	<u>308,838</u>	<u>280,435</u>	<u>28,403</u>
 Register of Deeds			
Operating	88,069	83,720	4,349
Personnel	<u>140,980</u>	<u>145,885</u>	<u>(4,905)</u>
Total Register of Deeds	<u>229,049</u>	<u>229,605</u>	<u>(556)</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Master-in-Equity			
Operating	\$ 13,844	\$ 13,844	\$ -
Personnel	<u>52,321</u>	<u>52,249</u>	<u>72</u>
Total Master-in-Equity	<u>66,165</u>	<u>66,093</u>	<u>72</u>
Coroner			
Operating	92,062	66,947	25,115
Personnel	<u>70,325</u>	<u>70,401</u>	<u>(76)</u>
Total Coroner	<u>162,387</u>	<u>137,348</u>	<u>25,039</u>
Special Services			
Operating	397,451	284,093	113,358
Personnel	<u>537,310</u>	<u>440,609</u>	<u>96,701</u>
Total Special Services	<u>934,761</u>	<u>724,702</u>	<u>210,059</u>
Veterans Office			
Operating	8,525	6,679	1,846
Personnel	<u>89,620</u>	<u>89,654</u>	<u>(34)</u>
Total Veterans Office	<u>98,145</u>	<u>96,333</u>	<u>1,812</u>
Voter Registration			
Operating	104,192	51,540	52,652
Personnel	<u>203,989</u>	<u>185,517</u>	<u>18,472</u>
Total Voter Registration	<u>308,181</u>	<u>237,057</u>	<u>71,124</u>
Social Services			
Operating	<u>156,000</u>	<u>156,725</u>	<u>(725)</u>
Health Department			
Operating	<u>16,445</u>	<u>14,778</u>	<u>1,667</u>
Airport			
Operating	140,402	100,099	40,303
Personnel	<u>9,657</u>	<u>10,670</u>	<u>(1,013)</u>
Total Airport	<u>150,059</u>	<u>110,769</u>	<u>39,290</u>
Legislative Delegation			
Personnel	<u>15,000</u>	<u>15,000</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Library			
Operating	\$ 367,059	\$ 296,224	\$ 70,835
Personnel	<u>614,614</u>	<u>577,547</u>	<u>37,067</u>
Total Library	<u>981,673</u>	<u>873,771</u>	<u>107,902</u>
Risk Management			
Operating	<u>7,540</u>	<u>3,295</u>	<u>4,245</u>
Total Risk Management	<u>7,540</u>	<u>3,295</u>	<u>4,245</u>
General Operating			
Fleet Maintenance	<u>7,000</u>	<u>11,124</u>	<u>(4,124)</u>
Total General Government	<u>9,478,588</u>	<u>8,725,515</u>	<u>753,073</u>
Public Safety			
Central Communications			
Operating	33,025	21,796	11,229
Personnel	<u>914,353</u>	<u>887,879</u>	<u>26,474</u>
Total Central Communications	<u>947,378</u>	<u>909,675</u>	<u>37,703</u>
Law Enforcement			
Operating	789,208	628,781	160,427
Personnel	<u>3,458,643</u>	<u>3,437,300</u>	<u>21,343</u>
Total Law Enforcement	<u>4,247,851</u>	<u>4,066,081</u>	<u>181,770</u>
Detention Center			
Operating	676,156	550,750	125,406
Personnel	<u>1,397,826</u>	<u>1,242,105</u>	<u>155,721</u>
Total Detention Center	<u>2,073,982</u>	<u>1,792,855</u>	<u>281,127</u>
Total Public Safety	<u>7,269,211</u>	<u>6,768,611</u>	<u>500,600</u>
Highways and Streets			
Public Works			
Operating	977,693	623,555	354,138
Personnel	<u>640,457</u>	<u>665,490</u>	<u>(25,033)</u>
Total Highways and Streets	<u>1,618,150</u>	<u>1,289,045</u>	<u>329,105</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation			
Recreation			
Operating	\$ 716,554	\$ 626,191	\$ 90,363
Personnel	745,284	716,976	28,308
	<u>1,461,838</u>	<u>1,343,167</u>	<u>118,671</u>
Total Culture and Recreation			
	<u>1,461,838</u>	<u>1,343,167</u>	<u>118,671</u>
Other Objects			
Contribution Agencies			
Camden First Community Development	3,500	3,500	-
Central Carolina	152,350	152,350	-
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	225,000	225,000	-
United Way	5,000	5,000	-
	<u>467,178</u>	<u>467,178</u>	<u>-</u>
Total Contribution Agencies			
	<u>467,178</u>	<u>467,178</u>	<u>-</u>
Emergency Preparedness			
Operating	12,805	10,080	2,725
	<u>12,805</u>	<u>10,080</u>	<u>2,725</u>
Indigent Care			
Operating	101,327	101,327	-
	<u>101,327</u>	<u>101,327</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Insurance Fringe	\$ 69,030	\$ 69,001	\$ 29
Unemployment Insurance	30,000	10,538	19,462
Telephone	120,000	99,538	20,462
Other Operations	82,053	78,604	3,449
Public Defender	150,000	150,000	-
Solicitor	260,000	260,000	-
Retiree Insurance	225,000	207,186	17,814
Insurance	<u>551,746</u>	<u>540,402</u>	<u>11,344</u>
 Total General Operating	 <u>1,487,829</u>	 <u>1,415,269</u>	 <u>72,560</u>
 Total Other Objects	 <u>2,069,139</u>	 <u>1,993,854</u>	 <u>75,285</u>
 Capital Outlay			
Information Technology	40,000	-	40,000
Assessor	-	20,350	(20,350)
Law Enforcement	23,250	35,023	(11,773)
Detention Center	1,116	1,116	-
Airport	120,000	124,483	(4,483)
Library	-	23,187	(23,187)
Recreation	62,596	26,853	35,743
Other	<u>229</u>	<u>212</u>	<u>17</u>
 Total Capital Outlay	 <u>247,191</u>	 <u>231,224</u>	 <u>15,967</u>
 Debt Service			
Principal	18,581	14,872	3,709
Interest	<u>214</u>	<u>99</u>	<u>115</u>
 Total Debt Service	 <u>18,795</u>	 <u>14,971</u>	 <u>3,824</u>
 Total Expenditures	 <u>22,162,912</u>	 <u>20,366,387</u>	 <u>1,796,525</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, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Excess of Revenues Over Expenditures	\$ 157,327	\$ 2,571,491	\$ 2,414,164
Other Financing Sources (Uses)			
Sale of Capital Assets	22,000	6,808	(15,192)
Transfer from Reserves	131,811	-	(131,811)
Transfer from Proprietary Fund	150,000	-	(150,000)
Transfer to Special Revenue Fund	<u>(461,138)</u>	<u>(2,000,000)</u>	<u>(1,538,862)</u>
Total Other Financing Sources	<u>(157,327)</u>	<u>(1,993,192)</u>	<u>(1,835,865)</u>
Net Change in Fund Balance	<u>\$ -</u>	578,299	<u>\$ 578,299</u>
Fund Balance, Beginning of Year		<u>14,108,870</u>	
Fund Balance, End of Year		<u>\$ 14,687,169</u>	

**KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 14,575,562	\$ 14,575,562	\$ 14,842,628	\$ 267,066
Licenses, Fees and Permits	3,679,250	3,679,250	4,030,694	351,444
Intergovernmental	2,715,908	2,715,908	2,691,579	(24,329)
Charges for Services	583,875	583,875	651,809	67,934
Fines and Forfeitures	529,000	529,000	486,864	(42,136)
Miscellaneous	<u>236,644</u>	<u>236,644</u>	<u>234,304</u>	<u>(2,340)</u>
 Total Revenues	 <u>22,320,239</u>	 <u>22,320,239</u>	 <u>22,937,878</u>	 <u>617,639</u>
Expenditures				
Current:				
General Government	9,478,588	9,478,588	8,725,515	753,073
Public Safety	7,269,211	7,269,211	6,768,611	500,600
Highways and Streets	1,618,150	1,618,150	1,289,045	329,105
Culture and Recreation	1,461,838	1,461,838	1,343,167	118,671
Other Objects	2,069,139	2,069,139	1,993,854	75,285
Capital Outlay	247,191	247,191	231,224	15,967
Debt Service:				
Principal	18,581	18,581	14,872	3,709
Interest	<u>214</u>	<u>214</u>	<u>99</u>	<u>115</u>
 Total Expenditures	 <u>22,162,912</u>	 <u>22,162,912</u>	 <u>20,366,387</u>	 <u>1,796,525</u>
Excess of Revenues Over Expenditures	<u>157,327</u>	<u>157,327</u>	<u>2,571,491</u>	<u>2,414,164</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	22,000	22,000	6,808	(15,192)
Transfer from Reserves	131,811	131,811	-	(131,811)
Transfer from Proprietary Fund	150,000	150,000	-	(150,000)
Transfer to Special Revenue Fund	<u>(461,138)</u>	<u>(461,138)</u>	<u>(2,000,000)</u>	<u>(1,538,862)</u>
 Total Other Financing Sources	 <u>(157,327)</u>	 <u>(157,327)</u>	 <u>(1,993,192)</u>	 <u>(1,835,865)</u>
 Net Change in Fund Balance	 <u>-</u>	 <u>-</u>	 <u>578,299</u>	 <u>578,299</u>
 Fund Balance, Beginning of Year	 <u>14,108,870</u>	 <u>14,108,870</u>	 <u>14,108,870</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 14,108,870</u>	 <u>\$ 14,108,870</u>	 <u>\$ 14,687,169</u>	 <u>\$ 578,299</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, 2016**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 433,409	\$ 254,541	58.73%	\$ 178,868
June 30, 2015	\$ 474,346	\$ 254,541	53.66%	\$ 219,805
June 30, 2014	\$ 464,748	\$ 240,157	51.67%	\$ 224,591
June 30, 2013	\$ 399,106	\$ 228,639	57.29%	\$ 170,467
June 30, 2012	\$ 391,594	\$ 239,007	61.03%	\$ 152,587
June 30, 2011	\$ 381,892	\$ 249,548	65.35%	\$ 132,344

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%

**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, 2016**

SCRS	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.0837500%	0.0838680%
County's proportionate share of the net pension liability (asset)	\$ 16,381,435	\$ 14,439,289
County's covered employee payroll	\$ 9,972,956	\$ 8,098,924
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	164.26%	178.29%
Plan fiduciary net position as a percentage of total pension liability	31.79%	31.17%
 PORS	 <u>2015</u>	 <u>2015</u>
County's proportion of the net pension liability (asset)	0.345330%	0.329970%
County's proportionate share of the net pension liability (asset)	\$ 7,526,368	\$ 6,317,094
County's covered employee payroll	\$ 4,498,162	\$ 4,278,116
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	167.32%	147.66%
Plan fiduciary net position as a percentage of total pension liability	8.73%	13.64%

<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, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,720,057	\$ 1,447,919
Contributions in relation to contractually required contribution	<u>1,720,057</u>	<u>1,447,919</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 14,471,118	\$ 12,377,040
Contributions as a percentage of covered-employee payroll	11.89%	11.70%

<p style="text-align: center;">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, 2016

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, 2016**

Assets

Restricted Cash	\$ 1,005,049
Receivables	
Property Taxes, Net	77,992
Intergovernmental	984,352
Other	42,826
Due from Other Funds	<u>1,728,632</u>
 Total Assets	 <u><u>\$ 3,838,851</u></u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities	
Compensated Absences	<u>\$ 5,852</u>
 Total Liabilities	 <u>5,852</u>

Deferred Inflows	
Unavailable Revenue - Property Taxes	68,523
Unavailable Revenue - Grants	<u>1,647</u>
 Total Deferred Inflows of Resources	 <u>70,170</u>

Fund Balance	
Restricted for Debt Service	463,627
Restricted for Capital Projects	1,025,553
Assigned	<u>2,273,649</u>
 Total Fund Balance	 <u>3,762,829</u>

Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 3,838,851</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, 2016

Revenues

Taxes	
Property Taxes - Net	\$ 1,325,304
Vehicle Taxes - Net	225,814
Delinquent Taxes - Net	65,218
Fee In Lieu of Taxes	828,841
Local Option Sales Tax	469,317
Homestead Exemption	117,650
Manufacturer Reimbursement	22,852
Liquor Excise Tax	34,259
Inventory Replacement	<u>10,647</u>
 Total Taxes	 <u>3,099,902</u>
 Licenses, Fees and Permits	
Residential	1,475,815
Landfill	147,278
Road Maintenance Fees	<u>16,439</u>
 Total Licenses, Fees and Permits	 <u>1,639,532</u>
 Intergovernmental Revenue	
Aid to Subdivisions	77,861
CTC Funds	199,705
Title IV-D	50,771
1% Fire Assistance	173,660
Accommodations Tax	<u>293,659</u>
 Total Intergovernmental Revenue	 <u>795,656</u>
 Fines and Forfeitures	
Sheriff	188,478
Interest Earned	<u>65</u>
 Total Fines and Forfeitures	 <u>188,543</u>
 Miscellaneous	
Other	510,343
E-911 Tariff	859,328
Grants	<u>1,014,437</u>
 Total Miscellaneous	 <u>2,384,108</u>
 Total Revenues	 <u>8,107,741</u>

**KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016
(Continued)**

Expenditures

General Government

E-911 Tariff		
Operating	\$	391,620
Personnel		<u>160,301</u>
Total E-911 Tariff		<u>551,921</u>
Title IV-D Family Court		
Operating		2,535
Personnel		<u>22,555</u>
Total Title IV-D Family Court		<u>25,090</u>
Mini Bottle Pass Thru		
Operating		<u>112,119</u>
Library		
Operating		5,162
Personnel		<u>1,328</u>
Total Library		<u>6,490</u>
Economic Development		
Operating		269,470
Personnel		<u>135,703</u>
Total Economic Development		<u>405,173</u>
Total General Government		<u>1,100,793</u>

Public Safety

Detention Center		
Operating		<u>67,334</u>
Fire Services		
Operating		400,602
Personnel		<u>392,732</u>
Total Fire Services		<u>793,334</u>

**KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016
(Continued)**

Firemen's Fund		
Operating		\$ <u>148,791</u>
Victim's Advocate		
Operating		86,837
Personnel		<u>71,381</u>
Total Victim's Advocate		<u>158,218</u>
Operating		<u>8,703</u>
DUI Grant		
Operating		58,943
Personal		<u>95,109</u>
Total DUI Grant		<u>154,052</u>
EMS Grant		
Operating		<u>9,408</u>
Total Public Safety		<u>1,339,840</u>
Highways and Streets		
Waste Tire		
Operating		<u>28,938</u>
Total Highways and Streets		<u>28,938</u>
Public Works		
Solid Waste		
Operating		1,647,890
Personnel		<u>497,231</u>
Total Public Works		<u>2,145,121</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016
(Continued)

Other Objects

General Operating	
Other Operations	\$ 232,376
Total Other Objects	<u>232,376</u>

Capital Outlay

Detention Center	590,522
E-911 Tariff	411,164
CTC Funds	145,060
Fire Services	127,621
Solid Waste	15,350
Economic Development	841,856
Title IV	10,602
General Capital	<u>1,290,058</u>
Total Capital Outlay	<u>3,432,233</u>

Debt Service

Principal	924,374
Interest	<u>10,883</u>
Total Debt Service	<u>935,257</u>

Total Expenditures

9,214,558

Excess of Revenues Over (Under) Expenditures

(1,106,817)

Other Financing Sources (Uses)

Capital Lease Proceeds	1,162,147
Transfers from General Fund	2,000,000
Transfers to Proprietary Fund	<u>(350,463)</u>
Total Other Financing Sources	<u>2,811,684</u>

Net Change in Fund Balance

1,704,867

Fund Balance, Beginning of Year

2,057,962

Fund Balance, End of Year

\$ 3,762,829

**KERSHAW COUNTY, SOUTH CAROLINA
LIBRARY OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016**

	County	State	State Lottery	Federal Grant	Total
Revenues					
Charges for Services	\$ 503	\$ -	\$ -	\$ -	\$ 503
Fines	16,493	-	-	-	16,493
Intergovernmental	-	77,121	21,353	-	98,474
Miscellaneous	<u>22,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,820</u>
Total Revenues	<u>39,816</u>	<u>77,121</u>	<u>21,353</u>	<u>-</u>	<u>138,290</u>
Expenditures					
Books, Periodicals and Departmental Supplies	<u>69,099</u>	<u>60,465</u>	<u>22,322</u>	<u>-</u>	<u>151,886</u>
Total Expenditures	<u>69,099</u>	<u>60,465</u>	<u>22,322</u>	<u>-</u>	<u>151,886</u>
Excess of Revenues Over (Under) Expenditures	(29,283)	16,656	(969)	-	(13,596)
Fund Balance, Beginning of Year	<u>2,602</u>	<u>2,085</u>	<u>41,488</u>	<u>25,087</u>	<u>71,262</u>
Fund Balance, End of Year	<u>\$ (26,681)</u>	<u>\$ 18,741</u>	<u>\$ 40,519</u>	<u>\$ 25,087</u>	<u>\$ 57,666</u>

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINES AND ASSESSMENTS
For the Fiscal Year Ended June 30, 2016**

Fines and Fees

Family Court Fines	\$ 5,060
Family Court Fees	59,377
Other Court Fines and Fees	902,959

Assessments

DUI	50,883
General Sessions	12,424
Magistrate	630,761

Surcharges

Drug	32,649
Law Enforcement	335,973
Criminal Justice Academy	<u>57,320</u>

Total 2,087,406

Retained by County

Victims Assistance:	
Fines	849,905
Assessments	<u>74,822</u>

Total Retained by County 924,727

Total Fines and Assessments Remitted to State Treasurer and Other Agencies \$ 1,162,679

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, 2016**

Assets

Cash	\$ 501,112
Property Taxes Receivable, Net	93,735
Intergovernmental Receivable	76,012
Due from Other Funds	<u>1,503,667</u>
 Total Assets	 <u><u>\$ 2,174,526</u></u>

Liabilities, Deferred Inflows and Fund Balance

Liabilities

Short Term Bond Payable	\$ <u>1,280,000</u>
 Total Deferred Inflows	 <u>1,280,000</u>

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>83,817</u>
 Total Deferred Inflows	 <u>83,817</u>

Fund Balance

Restricted for Debt Service	<u>810,709</u>
 Total Fund Balance	 <u>810,709</u>

Total Liabilities, Deferred Inflows and Fund Balance	<u><u>\$ 2,174,526</u></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, 2016

Revenues

Taxes	
Property Taxes - Net	\$ 1,076,205
Vehicle Taxes - Net	210,817
Delinquent Taxes - Net	62,426
Fee In Lieu of Taxes	88,229
Local Option Sales Tax	418,137
Homestead Exemption	95,259
Manufacturer Reimbursement	24,040
Inventory Replacement	<u>7,119</u>
 Total Taxes	 <u>1,982,232</u>
 Licenses, Fees and Permits	
Motor Carrier Fees	<u>12,037</u>
 Total Licenses, Fees and Permits	 <u>12,037</u>
 Total Revenues	 <u>1,994,269</u>

Expenditures

Principal Retirement	1,296,000
Interest and Other Charges	<u>522,865</u>
 Total Expenditures	 <u>1,818,865</u>

Excess of Revenues Over Expenditures 175,404

Other Financing Sources (Uses)

Cost of Bond Issuance	(14,430)
Transfer from KFC Projects Fund	2
Transfer to Proprietary Fund	<u>(222,727)</u>
 Total Other Financing Sources (Uses)	 <u>(237,155)</u>

Net Change in Fund Balance (61,751)

Fund Balance, Beginning of Year 872,460

Fund Balance, End of Year \$ 810,709

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, 2016**

Assets

Intergovernmental \$ 432,309

Total Assets **\$ 432,309**

Liabilities and Fund Balances

Liabilities

Due to Other Funds \$ 361,187

Total Liabilities 361,187

Fund Balances

Restricted for Capital Projects 71,122

Total Liabilities and Fund Balances **\$ 432,309**

**KERSHAW COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2016**

Revenues

Grants	\$ <u>2,694,861</u>
Total Revenues	<u>2,694,861</u>

Expenditures

Capital Outlay

Other	336,894
Airport	<u>2,370,468</u>
Total Capital Outlay	<u>2,707,362</u>
Total Expenditures	<u>2,707,362</u>

Net Change in Fund Balance	(12,501)
Fund Balance, Beginning of Year	<u>83,623</u>
Fund Balance, End of Year	<u><u>\$ 71,122</u></u>

**KERSHAW COUNTY, SOUTH CAROLINA
KERSHAW FACILITIES PROJECTS FUND
BALANCE SHEET
June 30, 2016**

Assets

Restricted Cash	\$ 22,224,026
Due from Other Funds	<u>173,937</u>

Total Assets	<u>\$ 22,397,963</u>
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Liabilities and Fund Balances

Liabilities

Due to Other Funds	<u>\$ -</u>
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Fund Balances

Restricted for Capital Projects	<u>22,397,963</u>
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Total Liabilities and Fund Balances	<u>\$ 22,397,963</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, 2016**

Revenues

Miscellaneous	\$ <u> -</u>
Total Revenues	<u> -</u>

Expenditures

Capital Outlay

Recreation Project	988,450
Detention Center	485,041
Central Carolina	49,592
Engineer Project Cost	<u>22,072</u>
Total Expenditures	<u>1,545,155</u>

Excess of Revenues Over (Under) Expenditures (1,545,155)

Other Financing Sources (Uses)

Interest Expense	(98,624)
Cost of Bond Issuance	(289,358)
Transfer to Debt Service	(2)
Interest Income	3,622
Proceeds from Bond Issuance	<u>17,200,000</u>
Total Other Financing Sources	<u>16,815,638</u>

Net Change in Fund Balance 15,270,483

Fund Balance, Beginning of Year 7,127,480

Fund Balance, End of Year \$ 22,397,963

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, 2016

Operating Revenues

Charges for Sewer Service	\$ 1,676,126
Impact Fees and Other Charges	262,914
Miscellaneous	<u>1,395</u>
 Total Revenues	 <u>1,940,435</u>

Operating Expenses

Salaries and Benefits	307,258
Contractual Services	174,137
Supplies	44,677
Repairs and Maintenance	331,958
Fuel	7,873
Utilities and Telephone	319,479
Engineering	83,009
Postage	6,628
Fleet Maintenance	9,490
Miscellaneous	80,275
Retirement System Pension Expense	(126,387)
Depreciation	<u>535,342</u>
 Total Operating Expenses	 <u>1,773,739</u>

Operating Income 166,696

Non-Operating Income (Expense)

Interest Expense	<u>(195,654)</u>
 Total Non-Operating Income (Expense)	 <u>(195,654)</u>

Income Before Contributions and Transfers (28,958)

Transfer to General Fund	350,463
Transfer From Debt Service Fund	<u>222,727</u>
 Total Contributions and Transfers	 <u>573,190</u>

Change in Net Position 544,232

Net Position, Beginning of Year 12,352,084

Net Position, End of Year \$ 12,896,316

**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, 2016**

Operating Revenues

Charges for EMS Service	\$ 2,283,648
Miscellaneous	1,200
Taxes - Fee In Lieu	<u>925,000</u>
 Total Revenues	 <u>3,209,848</u>

Operating Expenses

Salaries and Benefits	1,982,621
Contractual Services	142,463
Office Supplies	134,057
Repairs and Maintenance	13,976
Fuel	45,369
Utilities and Telephone	37,927
Uniforms	26,981
Fleet Maintenance	69,929
Equipment and Supplies	69,402
Rent	16,800
Bad Debt	726,840
Insurance	9,692
Training	10,702
Miscellaneous	804
Retirement System Pension Expense	2,081,686
Depreciation	<u>84,595</u>
 Total Operating Expenses	 <u>5,453,844</u>

Operating Income (Loss) (2,243,996)

Change in Net Position (2,243,996)

Net Position, Beginning of Year 2,739,972

Net Position, End of Year \$ 495,976

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, 2016**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash	\$ 3,922,955	\$ 1,984,605
Taxes Receivable, Net	2,773,564	-
Accounts Receivable	300,000	-
Due from General Fund	<u>884,805</u>	<u>-</u>
Total Assets	<u>\$ 7,881,324</u>	<u>\$ 1,984,605</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Due to Other Taxing Authorities	\$ 5,312,841	\$ -
Due to Solicitor	40,386	-
Due to KC Clean Commission	<u>14,092</u>	<u>-</u>
Total Liabilities	<u>5,367,319</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>2,514,005</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>1,984,605</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 7,881,324</u>	<u>\$ 1,984,605</u>

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OR CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash	\$ 3,586,569	\$ 108,161,405	\$ 107,825,019	\$ 3,922,955
Taxes Receivable, Net	3,109,690	2,773,564	3,109,690	2,773,564
Other Receivables	-	300,000	-	300,000
Due From General Fund	<u>1,559,285</u>	<u>44,052,517</u>	<u>44,726,997</u>	<u>884,805</u>
 Total Assets	 <u>8,255,544</u>	 <u>155,287,486</u>	 <u>155,661,706</u>	 <u>7,881,324</u>
Liabilities				
Due to Other Taxing Authorities	5,017,412	5,312,841	5,017,412	5,312,841
Due to Solicitor	373,095	40,386	373,095	40,386
Due to KC Clean Commission	<u>16,755</u>	<u>14,092</u>	<u>16,755</u>	<u>14,092</u>
Total Liabilities	<u>5,407,262</u>	<u>5,367,319</u>	<u>5,407,262</u>	<u>5,367,319</u>
 Deferred Inflows	 <u>2,848,282</u>	 <u>2,514,005</u>	 <u>2,848,282</u>	 <u>2,514,005</u>
 Total Liabilities and Deferred Inflows	 <u>\$ 8,255,544</u>	 <u>\$ 7,881,324</u>	 <u>\$ 8,255,544</u>	 <u>\$ 7,881,324</u>

KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET-ALL TRUST FUNDS
June 30, 2016

	Detention Center	Land Sale	Magistrate	Clerk/ Family Court			Master in Equity	Sheriff Drug Trust	Total
Cash	\$ 42,722	\$ 905,952	\$ 241,294	\$ 664,606	\$ 12,000	\$ 118,031	\$ 1,984,605		
Total Assets	<u>42,722</u>	<u>905,952</u>	<u>241,294</u>	<u>664,606</u>	<u>12,000</u>	<u>118,031</u>	<u>1,984,605</u>		

Liabilities and Net Position

Net Position								
Held in Trust	42,722	905,952	241,294	664,606	12,000	118,031	1,984,605	
Total Net Position	<u>42,722</u>	<u>905,952</u>	<u>241,294</u>	<u>664,606</u>	<u>12,000</u>	<u>118,031</u>	<u>1,984,605</u>	

COMPLIANCE SECTION

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through SC Emergency Management Division :			
Emergency Management Performance Grant	97.042	8EMPG01	\$ 59,686
Disaster Grants - Public Assistance	97.036	N/A	<u>310,323</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>370,009</u>
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION			
Direct Program:			
Airport Improvement Grant	20.106	3-45-0011-20 *	549,000
Airport Improvement Grant	20.106	3-45-0011-22 *	<u>2,218,728</u>
Passed Through SC Department of Public Safety			<u>2,767,728</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,767,728</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through SC State Library:			
Library Service & Tech Act	45.310	N/A	<u>56,568</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>56,568</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program:			
Capitalization Grants for Clean Water State Revolving Funds	66.202	N/A	<u>675,784</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>675,784</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Sc Department of Social Services:			
Child Support Enforcement-Unit Cost	93.563	N/A	<u>118,099</u>
Child Support Enforcement-Incentive	93.563	N/A	<u>26,829</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>144,928</u>
TOTAL FEDERAL ASSISTANCE EXPENDED			<u>\$ 4,015,017</u>

* Tested as major program

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

- Note 1. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Kershaw County, South Carolina for the year ended June 30, 2016. All federal awards received directly from federal agencies as well as those passed through other government agencies are included on the Schedule.
- Note 2. The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the County's basic financial statements.
- Note 3. Federal award expenditures are reported in the County's basic financial statements as expenditures in the General Fund, Special Revenue Fund and Capital Projects Fund.
- Note 4. Differences between the amount of revenue received from federal awards and the related expenditures are recognized as either deferred revenue or receivables in the basic financial statements. The amounts recorded on the Schedule of Expenditures of Federal Awards agree with the amounts recorded in the basic financial statements.

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November 14, 2016

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, 2016, 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 14, 2016.

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 16-1 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.

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Certified Public Accountant

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November 14, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Kershaw County, South Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kershaw County, South Carolina's major federal programs for the year ended June 30, 2016. Kershaw County, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

A. SUMMARY OF RESULTS

1. The financial statement opinion is unqualified.
2. No significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements. One deficiency was considered to be material weakness.
3. The audit disclosed no instances of noncompliance to the financial statements for the Kershaw County.
4. No material weaknesses in internal control over major programs were disclosed by the audit. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. We have issued an unqualified report on compliance for major programs.
6. The audit disclosed audit findings as described on page 96.
7. Major programs are as follows:

U. S. Department of Transportation:
Airport Improvement Grant – CFDA 20.106
8. Type A programs are those exceeding \$750,000. Type B programs are those not exceeding \$750,000.
8. Kershaw County did not qualify as a low-risk auditee

KERSHAW COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016
(Continued)

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

16-1 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.

KERSHAW COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

15-1 Oversight of the Financial Reporting Process

The County does not presently have an employee with the expertise and training necessary to prepare its financial statements or identify material misstatements.

Corrective action was not taken. The County employs a financial manager but continues to evaluate the cost benefit of obtaining outside services to prepare the financial statements including disclosures in accordance with generally accepted accounting principles verses the cost of training, hiring or allocation of personnel resources with sufficient financial knowledge or responsibilities required to prepare its own financial reports including disclosures.