

LAURENS COUNTY, SOUTH CAROLINA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

LAURENS COUNTY, SOUTH CAROLINA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

| | Page |
|-------------------------|----------|
| Table of Contents | i and ii |

FINANCIAL SECTION

| | |
|---|-----------|
| Independent Auditor's Report | 1 - 3 |
| Management's Discussion and Analysis | 4 - 9 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 and 12 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund | 16 - 18 |
| Statement of Fiduciary Assets and Liabilities – Agency Funds | 19 |
| Notes to Financial Statements | 20 - 47 |
| Required Supplementary Information: | |
| Schedule of Funding Progress | 48 |
| Combining and Individual Nonmajor Fund Financial Statements and Schedules: | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 49 and 50 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds | 51 and 52 |
| Agency Funds: | |
| Combining Balance Sheet – Agency Funds | 53 |
| Supplementary Information Required by State of South Carolina: | |
| Summary Schedule of Court Fines, Assessments and Surcharges Victims' Assistance Funds | 54 |

LAURENS COUNTY, SOUTH CAROLINA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

| | |
|--|------------------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 55 and 56 |
| Independent Auditor's Report on Compliance For Each Major Program And On Internal Control Over Compliance Required by OMB Circular A-133 | 57 and 58 |
| Schedule of Expenditures of Federal Awards | 59 |
| Notes to Schedule of Expenditures of Federal Awards | 60 |
| Schedule of Findings and Questioned Costs | 61 and 62 |
| Schedule of Prior Year Findings | 63 |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Laurens County, South Carolina** (the "County"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Laurens County, South Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laurens County, South Carolina as of June 30, 2014, and the respective changes in financial position and the budgetary comparisons for the General Fund, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 through 9), and the Schedule of Funding Progress (on page 48) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens County, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The summary schedule of court fines, assessments and surcharges is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of Laurens County, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurens County, South Carolina's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 30, 2014

Laurens County, South Carolina

Management's Discussion and Analysis

June 30, 2014

This section of Laurens County annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's assets exceeded its liabilities at June 30, 2014 by \$66.1 million (net position). Of this amount, \$57.1 million is net investment in capital assets; \$7.5 million is restricted for capital activity, debt service, contingency and public safety, and with unrestricted net position of approximately \$1.5 million.
- The County repaid \$1.7 million of bond and financing lease payables during the year. The County issued \$4.4 million in new debt during the year.
- During the year, the County's general fund balance decreased by \$2.3 million.
- The general fund actual revenues were \$1.8 million greater than budgeted and general fund expenditures were \$2.5 million greater than budgeted.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Laurens County, South Carolina
Management's Discussion and Analysis
June 30, 2014

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

Laurens County, South Carolina

Management's Discussion and Analysis

June 30, 2014

- Some funds are required by State law and by bond covenants.
- The County Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position: The County combined net position decreased \$4.6 million or 6.5 percent between fiscal years 2013 and 2014 (See Table A-1)

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

| | Governmental Activities | | Total Percent Change |
|----------------------------------|----------------------------|------------------|----------------------------|
| | 2013 | 2014 | |
| Current and other assets | \$ 34,865 | \$ 17,364 | -50.2% |
| Capital assets | 77,118 | 73,027 | -5.3% |
| Total assets | <u>111,983</u> | <u>90,391</u> | -19.3% |
| Current liabilities | 22,272 | 12,317 | -44.7% |
| Long-term liabilities | 18,979 | 11,917 | -37.2% |
| Total liabilities | <u>41,251</u> | <u>24,234</u> | -41.3% |
| Net position: | | | |
| Net investment in capital assets | 64,224 | 57,121 | -11.1% |
| Restricted | 9,758 | 7,478 | -23.4% |
| Unrestricted | (3,250) | 1,558 | -147.9% |
| Total net position | <u>\$ 70,732</u> | <u>\$ 66,157</u> | -6.5% |

Laurens County, South Carolina

Management's Discussion and Analysis

June 30, 2014

Net unrestricted position of our governmental activities increased by \$4.8 million. Capital assets of \$1.4 million were acquired during the year while depreciation expense on new and existing capital assets totaled \$5.5 million.

Changes in net position. The County's total revenues decreased by 16.9 percent to \$33.5 million. (See Table A-2) Approximately 58 percent of the County's total revenue comes from property taxes, 23 percent comes from fees charged for services and 19 percent is from state and federal aid.

The total cost of all programs and services decreased approximately \$2.5 million or 6.2 percent. The County's expenses cover a range of services, with about 40 percent related to public safety. Table A-2 and the narrative that follows consider the operations of governmental activities.

GOVERNMENTAL ACTIVITIES

Revenues for the County's governmental activities decreased 16.9 percent, while total expenses decreased by 5.9 percent.

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

| | Governmental Activities | | Total Percent Change |
|-------------------------------------|----------------------------|-------------------|----------------------------|
| | 2013 | 2014 | |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 7,555 | \$ 7,762 | 2.7% |
| Operating grants and contributions | 1,584 | 3,327 | 110.0% |
| Capital grants and contributions | 5,016 | 2,965 | -40.9% |
| General revenues: | | | |
| Property taxes | 18,268 | 19,335 | 5.8% |
| Other taxes | 75 | - | -100.0% |
| Intergovernmental | 7,210 | - | -100.0% |
| Unrestricted investment earnings | 35 | 154 | 340.0% |
| Gain on sale of assets | 641 | - | -100.0% |
| Total revenues | <u>40,384</u> | <u>33,543</u> | -16.9% |
| Program Expenses | | | |
| General government | 13,976 | 9,628 | -31.1% |
| Judicial | - | 1,372 | 100.0% |
| Public safety | 16,441 | 15,337 | -6.7% |
| Public works | 6,825 | 9,020 | 32.2% |
| Health and welfare | 279 | 273 | -2.2% |
| Culture and recreation | 763 | 845 | 10.7% |
| Economic development | 1,682 | 1,526 | -9.3% |
| Interest on long-term debt | 670 | 117 | -82.5% |
| Total expenses | <u>40,636</u> | <u>38,118</u> | -6.2% |
| Increase (decrease) in net position | <u>\$ (252)</u> | <u>\$ (4,575)</u> | 1715.5% |

Laurens County, South Carolina

Management's Discussion and Analysis

June 30, 2014

Total revenues were \$6.8 million less than the prior year. During the current year, grants decreased by \$308 thousand, property taxes increased by \$1.1 million, intergovernmental revenues decreased by \$7.2 million and other revenues decreased by \$392 thousand as compared to the prior year.

Current year expenses were \$2.5 million less than prior year. Judicial, public works, and culture and recreation had increase in expenses totaling \$3.6 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$15 million which is greater than the prior year by \$2.8 million.

General Fund Budgetary Highlights

Actual general fund expenditures were \$2.5 million greater than budgeted amounts, primarily resulting from negative budget variances in general government and public works of \$676 thousand and \$691 thousand, respectively. Debt service payments were \$769 thousand greater than budget due to reclassification of debt.

The resources available for appropriation were \$1.8 million greater than the budgeted amount. This is primarily related to a positive variance in property taxes collected of \$650 thousand and positive variances of \$760 thousand and \$359 thousand in intergovernmental revenues and charges for services, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the County had invested \$73 million in a broad range of capital assets. (See Table A-3.) This amount represents a net increase before depreciation (including additions and deductions) of \$1.4 million. However, after depreciation, capital assets decreased \$4.1 million thousand or 5.3 percent, over last year.

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

| | Governmental Activities | | Total Percent Change |
|---------------------------|----------------------------|------------------|----------------------------|
| | 2013 | 2014 | |
| Land | \$ 2,870 | \$ 2,870 | 0.0% |
| Construction in progress | - | 268 | 100.0% |
| Buildings | 17,906 | 17,369 | -3.0% |
| Equipment | 6,763 | 6,563 | -3.0% |
| Infrastructure | 49,579 | 45,957 | -7.3% |
| Total capital assets, net | <u>\$ 77,118</u> | <u>\$ 73,027</u> | -5.3% |

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

Laurens County, South Carolina
Management's Discussion and Analysis
June 30, 2014

Long-term Debt

At year-end, the County had \$15.9 in bonds and capital lease obligations outstanding, an increase of 20.6 percent over last year as shown in Table A-4. More detailed information about the County's long-term is presented in Note 7 on pages 35 through 39 in the notes to the financial statements.

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

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

| | Governmental Activities | | Total Percent Change |
|------------------------------|------------------------------------|------------------|-------------------------------------|
| | 2013 | 2014 | |
| General obligation bonds | \$ 6,506 | \$ 9,879 | 51.8% |
| Special source revenue bonds | 3,505 | 2,907 | -17.1% |
| Capital leases payable | 3,173 | 3,119 | -1.7% |
| Total outstanding debt | <u>\$ 13,184</u> | <u>\$ 15,905</u> | 20.6% |

This year's major outstanding debt change included:

- \$3.7 million in bond debt acquired for construction of new office complex building. A new capital lease agreement was also acquired for \$717 thousand to purchase capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unemployment at June 30, 2014 stood at 5.6 percent versus 8.2 percent a year ago. This compares slightly unfavorably with the state's rate of 5.3 percent but favorable with the national rate of 6.1 percent. These indicators were taken into account when adopting the general fund budget for fiscal year 2015. The general "operating" fund budget for 2015 is approximately \$26,400,000. Capital expenditures approved in the fiscal year 2015 capital budget were approximately \$652,464. The County has added no major new programs or initiatives to the 2015 budget. With the approval of the 2015 budget the County should continue to move in a positive direction. The 2015 budget was prepared with the continuation of the initiative to adequately fund departments. County Council recommended the County establish a goal of preparing a budget that will support the County's goal of establishing reserves to build a solid financial structure for future growth of County Services provided to its citizens.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ernest Segars, Laurens County Administrator, Post Office Box 445, Laurens, SC 29360 or visit the County website at www.laurenscountysc.org.

LAURENS COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

| | Primary Government | Component Unit |
|--|----------------------------|---------------------------|
| ASSETS | Governmental Activities | Laurens County Library |
| Cash and cash equivalents | \$ 8,049,637 | \$ 31,673 |
| Investments | 5,774,898 | 20,176 |
| Taxes receivable | 1,117,015 | - |
| Accounts receivable | 555,542 | - |
| Interest receivable | 74,768 | - |
| Due from other governments | 1,743,144 | - |
| Prepaid expenses | 48,635 | 19,786 |
| Capital assets, non-depreciable | 3,137,973 | 33,700 |
| Capital assets, depreciable, net of accumulated depreciation | 69,888,798 | 784,441 |
| Total assets | 90,390,410 | 889,776 |
| LIABILITIES | | |
| Accounts payable | 754,796 | 7,698 |
| Accrued liabilities | 566,192 | - |
| Due to other governments | 99,111 | - |
| Unearned revenues | 10,013 | - |
| Other liabilities | 6,380,134 | 129,056 |
| Capital leases due within one year | 723,717 | - |
| Capital leases due in more than one year | 2,395,763 | - |
| Bonds payable due within one year | 3,368,176 | - |
| Bonds payable due in more than one year | 9,418,214 | - |
| Compensated absences due within one year | 413,916 | - |
| Compensated absences due in more than one year | 103,479 | - |
| Total liabilities | 24,233,511 | 136,754 |
| NET POSITION | | |
| Net investment in capital assets | 57,120,901 | 818,141 |
| Restricted for: | | |
| Family services | 64,573 | - |
| Detention center | 300,369 | - |
| Debt service | 884,419 | - |
| Public safety | 830,709 | - |
| Emergency medical service | 3,677 | - |
| Capital outlay | 5,394,749 | - |
| Unrestricted | 1,557,502 | (65,119) |
| Total net position | \$ 66,156,899 | \$ 753,022 |

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

LAURENS COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| <u>Functions/Programs</u> | <u>Expenses</u> | Program Revenues | | |
|-------------------------------|----------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 9,628,202 | \$ 1,764,152 | \$ 2,973,239 | \$ - |
| Judicial | 1,372,385 | - | - | - |
| Public safety | 15,336,741 | 4,073,209 | 328,357 | 712,671 |
| Public works | 9,020,323 | 1,924,380 | 25,519 | 1,508,812 |
| Health and welfare | 272,912 | - | - | - |
| Culture and recreation | 844,904 | - | - | - |
| Housing and development | 1,526,050 | - | - | 743,391 |
| Interest on long-term debt | 117,132 | - | - | - |
| Total governmental activities | <u>38,118,649</u> | <u>7,761,741</u> | <u>3,327,115</u> | <u>2,964,874</u> |
| Total primary government | <u>\$ 38,118,649</u> | <u>\$ 7,761,741</u> | <u>\$ 3,327,115</u> | <u>\$ 2,964,874</u> |
| Component unit: | | | | |
| Laurens County Library | \$ 812,939 | \$ 44,841 | \$ 734,202 | \$ - |
| Total component unit | <u>\$ 812,939</u> | <u>\$ 44,841</u> | <u>\$ 734,202</u> | <u>\$ -</u> |

General revenues:

Property taxes

Unrestricted investment earnings

Gain on sale of assets

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

| Net (Expense) Revenue and Changes in Net Position | | Component Unit | |
|--|-----------|-----------------------------------|--|
| Governmental Activities | | Laurens County Library | |
| \$ (4,890,811) | \$ | - | |
| (1,372,385) | | - | |
| (10,222,504) | | - | |
| (5,561,612) | | - | |
| (272,912) | | - | |
| (844,904) | | - | |
| (782,659) | | - | |
| (117,132) | | - | |
| <u>(24,064,919)</u> | | <u>-</u> | |
| <u>\$ (24,064,919)</u> | <u>\$</u> | <u>-</u> | |
| | | | |
| \$ - | \$ | (33,896) | |
| <u>\$ -</u> | <u>\$</u> | <u>(33,896)</u> | |
| | | | |
| \$ 19,334,998 | \$ | - | |
| 155,191 | | 4 | |
| 41 | | - | |
| <u>19,490,230</u> | | <u>4</u> | |
| (4,574,689) | | (33,892) | |
| <u>70,731,588</u> | | <u>786,914</u> | |
| <u>\$ 66,156,899</u> | <u>\$</u> | <u>753,022</u> | |

LAURENS COUNTY, SOUTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2014

| ASSETS | General | Hillcrest Square | Other Governmental Funds | Total |
|---|----------------------|---------------------|--------------------------------|----------------------|
| Cash and cash equivalents | \$ 6,724,511 | \$ - | \$ 1,325,126 | \$ 8,049,637 |
| Investments | 5,774,898 | - | - | 5,774,898 |
| Taxes receivable | 896,309 | - | 220,706 | 1,117,015 |
| Accounts receivable | 554,015 | - | 1,527 | 555,542 |
| Interest receivable | 74,768 | - | - | 74,768 |
| Due from other funds | 51,467 | 3,552,636 | 2,158,342 | 5,762,445 |
| Due from other governments | 1,693,100 | - | 50,044 | 1,743,144 |
| Prepaid expenditures | - | - | 48,635 | 48,635 |
| Total assets | <u>\$ 15,769,068</u> | <u>\$ 3,552,636</u> | <u>\$ 3,804,380</u> | <u>\$ 23,126,084</u> |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 699,228 | \$ - | \$ 55,568 | \$ 754,796 |
| Accrued expenses | 423,442 | - | 7,308 | 430,750 |
| Due to other funds | 5,710,978 | - | 51,467 | 5,762,445 |
| Due to other governments | 49,067 | - | 50,044 | 99,111 |
| Unearned revenue | - | - | 10,013 | 10,013 |
| Total liabilities | <u>6,882,715</u> | <u>-</u> | <u>174,400</u> | <u>7,057,115</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 868,776 | - | 208,723 | 1,077,499 |
| Total deferred inflow of resources | <u>868,776</u> | <u>-</u> | <u>208,723</u> | <u>1,077,499</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid expenditures | - | - | 48,635 | 48,635 |
| Restricted for: | | | | |
| Family services | 64,573 | - | - | 64,573 |
| Detention center | 300,369 | - | - | 300,369 |
| Debt service | - | - | 884,419 | 884,419 |
| Public safety | 133,152 | - | 697,557 | 830,709 |
| Emergency medical service | 3,677 | - | - | 3,677 |
| Capital outlay | - | 3,552,636 | 1,842,113 | 5,394,749 |
| Committed for: | | | | |
| Demolition projects | 32,258 | - | - | 32,258 |
| Roads and bridges | 57,000 | - | - | 57,000 |
| Parks and recreation | 104,854 | - | - | 104,854 |
| Budgetary stabilization | 115,925 | - | - | 115,925 |
| Capital outlay | 48,828 | - | - | 48,828 |
| Assigned for: | | | | |
| Computer upgrades | 20,000 | - | - | 20,000 |
| Unassigned (deficit) | 7,136,941 | - | (51,467) | 7,085,474 |
| Total fund balances | <u>8,017,577</u> | <u>3,552,636</u> | <u>3,421,257</u> | <u>14,991,470</u> |
| Total liabilities, deferred inflow of resources, and fund balances | <u>\$ 15,769,068</u> | <u>\$ 3,552,636</u> | <u>\$ 3,804,380</u> | |

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

| | |
|---|--------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 73,026,771 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 1,077,499 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (16,558,707) |
| The net OPEB obligation is not due and payable in the current period and, therefore, is not reported in governmental funds. | (6,380,134) |

Net position of governmental activities \$ 66,156,899

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

LAURENS COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | General | Hillcrest Square | Other Governmental Funds | Total |
|--|---------------------|---------------------|--------------------------------|----------------------|
| Revenues: | | | | |
| Property taxes | \$ 15,305,144 | \$ - | \$ 3,866,661 | \$ 19,171,805 |
| Licenses and permits | 434,295 | - | - | 434,295 |
| Intergovernmental | 4,301,762 | - | 1,910,227 | 6,211,989 |
| Charges for services | 5,950,562 | - | - | 5,950,562 |
| Fines and forfeitures | 1,005,883 | - | - | 1,005,883 |
| Interest | 149,027 | 4,217 | 1,947 | 155,191 |
| Other revenues | 97,053 | - | 273,948 | 371,001 |
| Total revenues | <u>27,243,726</u> | <u>4,217</u> | <u>6,052,783</u> | <u>33,300,726</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 8,059,896 | - | - | 8,059,896 |
| Judicial | 1,372,385 | - | - | 1,372,385 |
| Public safety | 12,044,735 | - | 2,912,118 | 14,956,853 |
| Public works | 4,258,910 | - | - | 4,258,910 |
| Health and welfare | 255,823 | - | - | 255,823 |
| Culture and recreation | 804,328 | - | - | 804,328 |
| Housing and development | 1,046,993 | - | 479,057 | 1,526,050 |
| Capital outlay | - | 151,581 | 1,353,762 | 1,505,343 |
| Debt service: | | | | |
| Principal | 1,029,831 | - | 665,082 | 1,694,913 |
| Interest | 195,268 | - | 264,772 | 460,040 |
| Total expenditures | <u>29,068,169</u> | <u>151,581</u> | <u>5,674,791</u> | <u>34,894,541</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,824,443)</u> | <u>(147,364)</u> | <u>377,992</u> | <u>(1,593,815)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of assets | 11,626 | - | - | 11,626 |
| Capital leases | 717,000 | - | - | 717,000 |
| Bond issuance | - | 3,700,000 | - | 3,700,000 |
| Transfers in | - | - | 1,198,906 | 1,198,906 |
| Transfers out | (1,198,906) | - | - | (1,198,906) |
| Total other financing sources (uses) | <u>(470,280)</u> | <u>3,700,000</u> | <u>1,198,906</u> | <u>4,428,626</u> |
| Net change in fund balances | (2,294,723) | 3,552,636 | 1,576,898 | 2,834,811 |
| Fund balances, beginning of year, as restated | <u>10,312,300</u> | <u>-</u> | <u>1,844,359</u> | <u>12,156,659</u> |
| Fund balances, end of year | <u>\$ 8,017,577</u> | <u>\$ 3,552,636</u> | <u>\$ 3,421,257</u> | <u>\$ 14,991,470</u> |

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

LAURENS COUNTY, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ 2,834,811 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period. | (4,159,723) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | 68,415 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues increased during the year by this amount. | 163,193 |
| The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (2,722,087) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>(759,298)</u> |
| Change in net position of governmental activities | <u>\$ (4,574,689)</u> |

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

LAURENS COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|----------------------------|------------------|---------------|---------------|----------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 14,654,708 | \$ 14,654,708 | \$ 15,305,144 | \$ 650,436 |
| Licenses and permits | 399,500 | 399,500 | 434,295 | 34,795 |
| Intergovernmental | 3,541,226 | 3,541,226 | 4,301,762 | 760,536 |
| Charges for services | 5,590,963 | 5,590,963 | 5,950,562 | 359,599 |
| Fines and forfeitures | 1,190,000 | 1,190,000 | 1,005,883 | (184,117) |
| Interest income | 25,000 | 25,000 | 149,027 | 124,027 |
| Miscellaneous | 57,250 | 57,250 | 97,053 | 39,803 |
| Total revenues | 25,458,647 | 25,458,647 | 27,243,726 | 1,785,079 |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Administrative | 344,782 | 344,782 | 362,665 | (17,883) |
| County attorney | 117,119 | 117,119 | 115,014 | 2,105 |
| Tax assessor | 372,140 | 372,140 | 363,916 | 8,224 |
| Auditor | 454,829 | 454,829 | 439,634 | 15,195 |
| Contingency | 150,000 | 150,000 | 50,044 | 99,956 |
| County council | 102,509 | 102,509 | 108,206 | (5,697) |
| Finance | 172,801 | 172,801 | 161,671 | 11,130 |
| Human resources | 117,054 | 117,054 | 117,670 | (616) |
| Registration and elections | 197,529 | 197,529 | 215,579 | (18,050) |
| Treasurer | 417,591 | 417,591 | 353,838 | 63,753 |
| Purchasing | 71,641 | 71,641 | 71,811 | (170) |
| Risk management | 39,344 | 39,344 | 41,679 | (2,335) |
| Benefits and insurance | 4,522,315 | 4,522,315 | 4,652,950 | (130,635) |
| Equipment | 196,660 | 196,660 | 900,023 | (703,363) |
| Miscellaneous | 107,850 | 107,850 | 105,196 | 2,654 |
| Total general government | 7,384,164 | 7,384,164 | 8,059,896 | (675,732) |
| Judicial: | | | | |
| Clerk of court | 629,149 | 629,149 | 683,816 | (54,667) |
| Magistrate court | 474,675 | 474,675 | 436,557 | 38,118 |
| Probate court | 232,049 | 232,049 | 232,377 | (328) |
| Judicial grants | 30,000 | 30,000 | 19,635 | 10,365 |
| Total judicial | 1,365,873 | 1,365,873 | 1,372,385 | (6,512) |

(Continued)

LAURENS COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Expenditures: (Continued) | Budgeted Amounts | | Actual | Variance with Final Budget |
|-------------------------------|------------------|------------|------------|----------------------------------|
| | Original | Final | | |
| Current: (Continued) | | | | |
| Public safety: | | | | |
| Emergency operations | \$ 883,885 | \$ 883,885 | \$ 836,566 | \$ 47,319 |
| Coroner | 154,742 | 154,742 | 142,575 | 12,167 |
| Detention center | 3,104,780 | 3,104,780 | 3,008,194 | 96,586 |
| Public safety grants | 1,500 | 1,500 | 488 | 1,012 |
| E911 | 537,378 | 537,378 | 422,167 | 115,211 |
| Emergency management services | 3,289,634 | 3,289,634 | 3,265,334 | 24,300 |
| Emergency management | 127,498 | 127,498 | 120,551 | 6,947 |
| Sheriff | 3,633,624 | 3,633,624 | 4,078,182 | (444,558) |
| Victim assistance | 179,840 | 179,840 | 170,678 | 9,162 |
| Total public safety | 11,912,881 | 11,912,881 | 12,044,735 | (131,854) |
| Public works: | | | | |
| Public works grants | - | - | 671,536 | (671,536) |
| Building and grounds | 725,952 | 725,952 | 829,130 | (103,178) |
| Public works | 145,521 | 145,521 | 123,196 | 22,325 |
| Roads and bridges | 794,652 | 794,652 | 782,028 | 12,624 |
| Landfill | 952,862 | 952,862 | 931,268 | 21,594 |
| Rural collections | 949,173 | 949,173 | 921,752 | 27,421 |
| Total public works | 3,568,160 | 3,568,160 | 4,258,910 | (690,750) |
| Health and welfare: | | | | |
| Health department | 14,250 | 14,250 | 13,818 | 432 |
| Social services | 13,000 | 13,000 | 106,528 | (93,528) |
| Veterans affairs | 132,767 | 132,767 | 135,477 | (2,710) |
| Total health and welfare | 160,017 | 160,017 | 255,823 | (95,806) |
| Culture and recreation: | | | | |
| Libraries | 659,547 | 659,547 | 658,463 | 1,084 |
| Parks and recreation | 174,907 | 174,907 | 145,865 | 29,042 |
| Total culture and recreation | 834,454 | 834,454 | 804,328 | 30,126 |
| Housing and development: | | | | |
| Airport | 81,982 | 81,982 | 123,466 | (41,484) |
| Clemson extension | 34,800 | 34,800 | 34,401 | 399 |
| Inspections | 359,688 | 359,688 | 306,511 | 53,177 |
| Local government assistance | 355,870 | 355,870 | 355,795 | 75 |
| Special appropriations | 42,200 | 42,200 | 52,200 | (10,000) |
| Technical education | - | - | 174,620 | (174,620) |
| Total housing and development | 874,540 | 874,540 | 1,046,993 | (172,453) |

(Continued)

LAURENS COUNTY, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: (Continued) | | | | |
| Current: (Continued) | | | | |
| Debt service: | | | | |
| Principal | \$ 416,066 | \$ 416,066 | \$ 1,029,831 | \$ (613,765) |
| Interest | 39,738 | 39,738 | 195,268 | (155,530) |
| Total debt service | <u>455,804</u> | <u>455,804</u> | <u>1,225,099</u> | <u>(769,295)</u> |
| Total expenditures | <u>26,555,893</u> | <u>26,555,893</u> | <u>29,068,169</u> | <u>(2,512,276)</u> |
| Deficiency of revenues under expenditures | <u>(1,097,246)</u> | <u>(1,097,246)</u> | <u>(1,824,443)</u> | <u>(727,197)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of assets | 35,000 | 35,000 | 11,626 | (23,374) |
| Capital lease | - | - | 717,000 | 717,000 |
| Transfers out | - | - | (1,198,906) | (1,198,906) |
| Total other financing sources (uses) | <u>35,000</u> | <u>35,000</u> | <u>(470,280)</u> | <u>(505,280)</u> |
| Net change in fund balances | (1,062,246) | (1,062,246) | (2,294,723) | (1,232,477) |
| Fund balance, beginning of year | <u>10,312,300</u> | <u>10,312,300</u> | <u>10,312,300</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 9,250,054</u> | <u>\$ 9,250,054</u> | <u>\$ 8,017,577</u> | <u>\$ (1,232,477)</u> |

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

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

JUNE 30, 2014

| ASSETS | Agency Funds |
|------------------------|-----------------------------|
| | <u> </u> |
| Cash | \$ 22,453,594 |
| Taxes receivable | <u>2,599,299</u> |
| Total assets | <u>\$ 25,052,893</u> |
| LIABILITIES | |
| Due to others | \$ 22,453,594 |
| Uncollected taxes | <u>2,599,299</u> |
| Total liabilities | <u>\$ 25,052,893</u> |

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

LAURENS COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Laurens County, South Carolina (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Cash, Cash Equivalents and Investments

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

State statutes authorize the County and discretely presented component unit to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units; financial institutions to the extent that the same are insured by an agency of the federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described previously and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government; repurchase agreements when collateralized by securities as set forth in this section; and no load open-end or closed-end management type investment companies or investment trusts registered under the Investment company Act of 1940, as amended, where the investment is made by a bank or trust company or other financial institution when acting as trustee or agent for a bond or other debt issue of the County, if the particular portfolio of the investment company or investment trust in investment is made (i) is limited to obligations described in the section, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interfund Receivables and Payables

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

F. Prepaid Items

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

G. Capital Assets

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

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

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed. No interest expense was capitalized during the fiscal year ended June 30, 2014.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, arising only under a modified accrual basis of accounting, that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes not received within 60 days after year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

K. Fund Equity

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the County Council through the adoption of a resolution. Only the County Council may modify or rescind the commitment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the County Commission has authorized the County Administrator to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$16,558,707 difference are as follows:

| | |
|---|------------------------|
| Bonds payable | \$ (12,786,390) |
| Capital leases | (3,119,480) |
| Accrued interest | (135,442) |
| Compensated absences | <u>(517,395)</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$ (16,558,707)</u> |

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$4,159,723 difference are as follows:

| | |
|--|-----------------------|
| Capital outlay | \$ 1,303,391 |
| Depreciation expense | <u>(5,463,114)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (4,159,723)</u> |

Another element of that reconciliation states the “The net effect of various miscellaneous transactions involving capital assets, (i.e. sales, trade-ins, and donations) is to increase net position.” The details of this \$68,415 difference are as follows:

| | |
|--|------------------|
| Donations of capital assets | \$ 80,000 |
| Disposals of capital assets | <u>(11,585)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 68,415</u> |

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation explains that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,722,087 difference are as follows:

| | |
|---|------------------------------|
| General obligation bonds issued | \$ (3,700,000) |
| Capital lease | (717,000) |
| Principal repayment - general obligation bonds | 924,576 |
| Principal repayment - capital leases | <u>770,337</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i> | <u><u>\$ (2,722,087)</u></u> |

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds”. The details of this \$870,298 difference are as follows:

| | |
|---|----------------------------|
| Compensated absences | \$ 10,871 |
| Net OPEB obligation | (1,113,077) |
| Accrued interest | <u>342,908</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i> | <u><u>\$ (759,298)</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY ACCOUNTING AND REPORTING

A. Budgetary Policies

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

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

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded as follows:

| <u>Fund/Department</u> | <u>Excess</u> |
|----------------------------|---------------|
| General Fund: | |
| Administrative | \$ 17,883 |
| County council | 5,697 |
| Human resources | 616 |
| Registration and elections | 18,050 |
| Purchasing | 170 |
| Risk management | 2,335 |
| Benefits and insurance | 130,635 |
| Equipment | 703,363 |
| Clerk of court | 54,667 |
| Probate court | 328 |
| Sheriff | 444,558 |
| Public works grants | 671,536 |
| Buildings and grounds | 103,178 |
| Social services | 93,528 |
| Veterans affairs | 2,710 |
| Airport | 41,484 |
| Special appropriations | 10,000 |
| Technical education | 174,620 |
| Debt service | 769,295 |

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. The County's investment policy parallels state law and has no restrictions that would further limit its investment choices other than state law. As of June 30, 2014, the underlying security ratings of the County's investment in the South Carolina Local Government Investment Pool may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the following address:

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

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

At June 30, 2014, the County had the following investments:

| Investments | Maturities | Rating | Fair Value |
|---|-------------------------|--------|--------------|
| Primary government: | | | |
| Certificates of deposit | 3 year weighted average | N/A | \$ 3,835,138 |
| U.S. Government Bonds | 5 year weighted average | AAA | 1,939,760 |
| | | | 5,774,898 |
| Component unit: Laurens County Library | | | |
| Certificates of deposit | 59 day average | N/A | 20,176 |
| Total investments | | | \$ 5,795,074 |

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – Deposits. The County does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2014, none of the County or Library deposits were exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Receivables at June 30, 2014, for the County's individual major funds and nonmajor funds in the aggregate, are as follows:

| | General | Other Governmental Funds | Total |
|-----------------------------------|----------------|---|--------------|
| Receivables: | | | |
| Taxes | \$ 914,601 | \$ 225,210 | \$ 1,139,811 |
| Accounts | 1,428,755 | 1,527 | 1,430,282 |
| Interest | 74,768 | - | 74,768 |
| Gross receivables | 2,418,124 | 226,737 | 2,644,861 |
| Less allowance for uncollectibles | 893,032 | 4,504 | 897,536 |
| Net receivables | \$ 1,525,092 | \$ 222,233 | \$ 3,542,397 |

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

The County's capital asset activity for the fiscal year ended June 30, 2014 was as follows:

A. Primary Government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,870,315 | \$ - | \$ - | \$ 2,870,315 |
| Construction in progress | - | 267,658 | - | 267,658 |
| Total capital assets, not being depreciated | <u>2,870,315</u> | <u>267,658</u> | <u>-</u> | <u>3,137,973</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 25,137,687 | - | - | 25,137,687 |
| Equipment | 16,619,064 | 1,115,733 | (16,550) | 17,718,247 |
| Infrastructure | 113,850,390 | - | - | 113,850,390 |
| Total capital assets, being depreciated | <u>155,607,141</u> | <u>1,115,733</u> | <u>(16,550)</u> | <u>156,706,324</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (7,231,637) | (537,086) | - | (7,768,723) |
| Equipment | (9,855,726) | (1,304,069) | 4,965 | (11,154,830) |
| Infrastructure | (64,272,014) | (3,621,959) | - | (67,893,973) |
| Total accumulated depreciation | <u>(81,359,377)</u> | <u>(5,463,114)</u> | <u>4,965</u> | <u>(86,817,526)</u> |
| Total capital assets, being depreciated, net | <u>74,247,764</u> | <u>(4,347,381)</u> | <u>(11,585)</u> | <u>69,888,798</u> |
| Governmental activities capital assets, net | <u>\$ 77,118,079</u> | <u>\$ (4,079,723)</u> | <u>\$ (11,585)</u> | <u>\$ 73,026,771</u> |

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

| | |
|--|---------------------|
| General government | \$ 305,763 |
| Public safety | 1,519,330 |
| Public works | 3,560,409 |
| Health and welfare | 37,036 |
| Culture and recreation | 40,576 |
| Total depreciation expense - governmental activities | <u>\$ 5,463,114</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Laurens County Library

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 33,700 | \$ - | \$ - | \$ 33,700 |
| Total capital assets, not being depreciated | <u>33,700</u> | <u>-</u> | <u>-</u> | <u>33,700</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,312,952 | - | - | 1,312,952 |
| Equipment and books | <u>1,305,804</u> | <u>111,698</u> | <u>(111,555)</u> | <u>1,305,947</u> |
| Total capital assets, being depreciated | <u>2,618,756</u> | <u>111,698</u> | <u>(111,555)</u> | <u>2,618,899</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (630,217) | (26,259) | - | (656,476) |
| Equipment and books | <u>(1,188,874)</u> | <u>(100,663)</u> | <u>111,555</u> | <u>(1,177,982)</u> |
| Total accumulated depreciation | <u>(1,819,091)</u> | <u>(126,922)</u> | <u>111,555</u> | <u>(1,834,458)</u> |
| Total capital assets, being depreciated, net | <u>799,665</u> | <u>(15,224)</u> | <u>-</u> | <u>784,441</u> |
| Laurens County Library capital assets, net | <u>\$ 833,365</u> | <u>\$ (15,224)</u> | <u>\$ -</u> | <u>\$ 818,141</u> |

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2014:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 6,505,966 | \$ 3,700,000 | \$ (326,704) | \$ 9,879,262 | \$ 795,855 |
| Special source revenue bonds | <u>3,505,000</u> | <u>-</u> | <u>(597,872)</u> | <u>2,907,128</u> | <u>2,572,321</u> |
| Total bonds payable | 10,010,966 | 3,700,000 | (924,576) | 12,786,390 | 3,368,176 |
| Capital leases payable | 3,172,817 | 717,000 | (770,337) | 3,119,480 | 723,717 |
| Compensated absences | 528,266 | 411,742 | (422,613) | 517,395 | 413,916 |
| Net OPEB obligation | <u>5,267,057</u> | <u>1,346,241</u> | <u>(233,164)</u> | <u>6,380,134</u> | <u>-</u> |
| Governmental activities long-term liabilities | <u>\$ 18,979,106</u> | <u>\$ 6,174,983</u> | <u>\$ (2,350,690)</u> | <u>\$ 22,803,399</u> | <u>\$ 4,505,809</u> |

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

General obligation bonds outstanding at June 30, 2014, are as follows:

| | Interest Rates | Balance June 30, 2014 |
|-------------------------------|-------------------|--------------------------|
| 2007 General Obligation Issue | 4.09% | \$ 39,262 |
| 2010 General Obligation Issue | 2.00% - 4.00% | 6,140,000 |
| 2013 General Obligation Issue | 2.30% | 3,700,000 |
| | | \$ 9,879,262 |

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

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

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

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

| Fiscal year ending June 30, | Principal | Interest | Total |
|-----------------------------|---------------------|---------------------|----------------------|
| 2015 | \$ 795,855 | \$ 281,585 | \$ 1,077,440 |
| 2016 | 819,034 | 262,156 | 1,081,190 |
| 2017 | 847,447 | 242,154 | 1,089,601 |
| 2018 | 861,831 | 219,025 | 1,080,856 |
| 2019 | 895,038 | 195,668 | 1,090,706 |
| 2020-2024 | 4,975,057 | 670,072 | 5,645,129 |
| 2025 | 685,000 | 23,975 | 708,975 |
| | <u>\$ 9,879,262</u> | <u>\$ 1,894,635</u> | <u>\$ 11,773,897</u> |

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

Special source revenue bonds outstanding at June 30, 2014, are as follows:

| | Interest Rates | Balance June 30, 2014 |
|---------------------------|----------------|-----------------------|
| 2004 Special Source Issue | 4.25% | \$ 256,000 |
| 2010 Special Source Issue | 4.85% | 2,651,128 |
| | | <u>\$ 2,907,128</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Special Source Revenue Bonds (Continued)

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

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

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

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

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

| Fiscal year ending June 30, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2015 | \$ 2,572,321 | \$ 154,210 | \$ 2,726,531 |
| 2016 | 334,807 | 24,612 | 359,419 |
| | \$ 2,907,128 | \$ 178,822 | \$ 3,085,950 |

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of June 30, 2014:

| | |
|--------------------------------|------------------------------------|
| | Governmental Activities |
| Equipment | \$ 4,252,327 |
| Less: Accumulated depreciation | (983,853) |
| | \$ 3,268,474 |

The County recorded depreciation expense of \$351,808 in the fiscal year ended June 30, 2014 on assets under capital leases.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2014:

| Fiscal year ending June 30, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2015 | \$ 723,717 | \$ 72,009 | \$ 795,726 |
| 2016 | 738,990 | 56,738 | 795,728 |
| 2017 | 513,088 | 41,096 | 554,184 |
| 2018 | 372,196 | 27,564 | 399,760 |
| 2019 | 381,166 | 18,594 | 399,760 |
| 2020 | 390,323 | 9,407 | 399,730 |
| | \$ 3,119,480 | \$ 225,408 | \$ 3,344,888 |

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|-----------------------------|-----------------------------|--------------|
| General Fund | Nonmajor Governmental Funds | \$ 51,467 |
| Hillcrest Square Fund | General Fund | 3,552,636 |
| Nonmajor Governmental Funds | General Fund | 2,158,342 |
| | | \$ 5,762,445 |

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

NOTES TO FINANCIAL STATEMENTS

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

Interfund Transfers:

| | Transfers In | |
|---------------|-----------------------------------|--------------|
| Transfers Out | Nonmajor Governmental Funds | Total |
| General Fund | \$ 1,198,906 | \$ 1,198,906 |
| Total | \$ 1,198,906 | \$ 1,198,906 |

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

NOTE 9. EMPLOYEE BENEFITS

Retirement Plan

Substantially all County employees are members of the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS). These systems are cost-sharing multiple-employer plans administered by the Retirement Division of the State Budget and Control Board. The Plan offers retirement and disability benefits, cost of living adjustments on an ad hoc basis, and life and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. The state is authorized by statute to establish and amend all plan provisions. Covered payroll was \$12,361,812, \$12,006,585, and \$12,089,352 for the years ended June 30, 2014, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Generally, all employees are required to participate in the SCRS or PORS as a condition of employment. Under SCRS, employees are eligible for normal retirement with no reduction of benefits upon reaching age 65 with five years of vestment or completion of 28 years credited service regardless of age. The benefit formula effective July 1, 1989, for the System is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. An early retirement option with reduced benefits is available as early as age 60. Employees are vested for a deferred annuity after five years' service and qualify for a survivor's benefit upon completion of 15 years credited service. A group-life insurance benefit equal to an active employee's annual rate of compensation is payable upon the death of an employee with a minimum of one year of credited service. Employees are required to contribute 7.50 percent of their salary for the year ended June 30, 2014. The County is required to contribute 10.45 percent of employees' salary for the years ended June 30, 2014.

PORS - Participating employees contribute 7.84 percent of their annual covered payroll. The County contributes on their behalf 12.44 percent of annual payroll plus an additional 0.2 percent of payroll for accidental death contributions and another 0.2 percent of payroll for group life contributions. There are no early retirement provisions under SCPORS. A member must have 25 years of service for full retirement or must be age 55 with five years of service. Both criteria provide for full formula benefit, payable for life with an annual rate equal to 2.14 percent of average final compensation, for each year of credited service.

The Plans provide death and disability as well as retirement benefits. Both employees and employers are required to contribute to the Plans at rates established under authority of Title 9 of the SC Code of Laws. Contribution information for the year ended June 30, 2014 and the two years prior were equal to the required contribution for each year-end and are as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

| | <u>Employee Amount</u> | <u>Required Contributions % of Wages</u> | <u>Employer Amount</u> | <u>Required Contributions % of Wages</u> | <u>Total Contributions</u> |
|---------------|----------------------------|--|----------------------------|--|--------------------------------|
| SCRS | | | | | |
| June 30, 2014 | \$ 551,471 | 7.50% | \$ 779,404 | 10.45% | \$ 1,330,875 |
| June 30, 2013 | 495,849 | 7.00% | 740,232 | 10.45% | 1,236,081 |
| June 30, 2012 | 464,938 | 6.50% | 671,299 | 9.39% | 1,136,237 |
| PORS | | | | | |
| June 30, 2014 | \$ 409,902 | 7.84% | \$ 691,146 | 12.44% | \$ 1,101,048 |
| June 30, 2013 | 344,612 | 7.00% | 585,840 | 11.90% | 930,452 |
| June 30, 2012 | 320,870 | 6.50% | 560,407 | 11.36% | 881,277 |

South Carolina Retirement System employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. During the TERI period, participants are eligible for the contributing retiree group life insurance benefit equaled to one year's salary, but are not eligible for disability retirement. Effective July 1, 2007, TERI participants who entered the program after July 1, 2006 are required to pay the same pre-tax contribution to SCRS during the TERI period, but do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Ten year historical trend information presenting the retirement system's progress in accumulating sufficient assets to pay benefits when due is presented annually by the South Carolina Retirement System. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

Deferred Compensation Plan

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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy and Annual OPEB Costs

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB costs for the year, the amount actuarially contributed to the plan, and changes in the County's net OPEB obligation for the post-employment health insurance benefits:

| | |
|---|----------------------------|
| Annual required employer contribution | \$ 1,324,055 |
| Interest on net OPEB obligation | 237,018 |
| Adjustment to annual required contribution | <u>(214,832)</u> |
| Annual OPEB cost | 1,346,241 |
| Employer and retiree contributions for period ended June 30, 2014 | <u>233,164</u> |
| Increase in net OPEB obligation | 1,113,077 |
| Net OPEB obligation beginning of year | <u>5,267,057</u> |
| Net OPEB obligation end of year | <u><u>\$ 6,380,134</u></u> |

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

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Actual Employer Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|-----------------------------------|--------------------------------|
| 06/30/10 | \$ 838,245 | \$ 97,739 | 11.7 % | \$ 1,417,785 |
| 06/30/11 | 1,490,942 | 176,229 | 11.8 | 2,732,546 |
| 06/30/12 | 1,560,737 | 296,072 | 19.0 | 3,997,248 |
| 06/30/13 | 1,503,931 | 234,122 | 15.6 | 5,267,057 |
| 06/30/14 | 1,346,241 | 233,164 | 17.3 | 6,380,134 |

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

As of June 30, 2012, the most recent actuarial valuation date, the funded status of the OPEB Plan is as follows:

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u> |
|---|--|--|---|-------------------------|---------------------------------------|--|
| 7/1/2012 | \$ - | \$ 12,449,459 | \$ 12,449,459 | - % | \$ 12,361,812 | 100.7 % |

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

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce short term volatility in actuarial liabilities and the actuarial value of assets. In the June 30, 2012 actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent-of-payroll required to fully amortize the UAAL over a 30 year period on a closed basis. The actuarial assumptions included 4.5% rate of investment return. The valuation assumes a 7.25% health care trend inflation rate for 2013 and, starting in 2014, decreases 0.25% each year until 2024; and thereafter 4.5% was assumed. Drug cost trend inflation is assumed to be 7.75% for 2013, decreasing to 7.25% for 2014, then, decreasing annually by 0.25% until 2024, thereafter assumed to be 4.5% per year. Dental cost trend inflation was assumed to be 3% annually.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

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

NOTE 12. COMMITMENTS

At June 30, 2014, the County had outstanding construction commitments totaling approximately \$3,545,645.

NOTE 13. CONTINGENT LIABILITIES

The County participates in a number of federal and state assisted grant programs. These programs are subject to audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2014, have not yet been conducted. Therefore, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTE 14. LITIGATION

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

NOTE 15. DEFICIT FUND BALANCE

For the year ended June 30, 2014, the Detention Center Fund had a deficit fund balance of \$51,467. This deficit is expected to be reduced through transfers from the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. PRIOR PERIOD RESTATEMENTS

The County has determined that a restatement to beginning net position of governmental activities is required to reflect corrections of errors in June 30, 2013. These restatements are as follows:

| | Governmental Activities |
|---|------------------------------------|
| Net position, as previously reported | \$ 71,273,875 |
| Adjustment needed to properly reflect governmental activities net position of the County | (542,287) |
| Net position, as restated | \$ 70,731,588 |

Additionally, the County has determined that a restatement of Other Governmental Fund assets and fund balance of \$542,287 is required. The restatement is as follows:

| | Other Governmental Funds |
|--|---|
| Fund balance, as previously reported | \$ 2,293,873 |
| Adjustment needed to properly reflect fund balance of nonmajor governmental funds | (542,287) |
| Fund balance, as restated | \$ 1,751,586 |

To further explain the above restatements:

Adjustment of Fund Balance. The County determined that items previously reported in the County's financial statements were not part of the financial reporting entity as defined by *GASBS No. 14, The Financial Reporting Entity*, as amended by *GASBS No. 39, Determining Whether Certain Organizations Are Component Units* and *GASBS No. 61, The Financial Reporting Entity: Omnibus*. This error caused an overstatement of cash and fund balance within the County's Other Governmental Funds and cash and net position in the governmental activities column of the government-wide financial statements. Such errors were a result of a misinterpretation of entities that are required to be included in the financial reporting entity. The County determined that an adjustment was necessary to decrease cash and fund balance in the amount of \$542,287 in the Other Governmental Funds.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

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

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

**COMBINING STATEMENTS
AND SCHEDULES**

LAURENS COUNTY, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

DEBT SERVICE FUND

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

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

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

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

CAPITAL PROJECTS FUND

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

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

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

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

LAURENS COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

| ASSETS | Special Revenue Funds | | |
|---|--------------------------|---------------|---------------------|
| | Community Development | Rural Fire | Fire Coordinator |
| Cash and cash equivalents | \$ 10,013 | \$ - | \$ - |
| Taxes receivable | - | 129,445 | 16,043 |
| Accounts receivable | - | 600 | 927 |
| Due from other funds | - | 407,602 | 342,538 |
| Due from other governments | 50,044 | - | - |
| Prepaid expenditures | - | - | 48,635 |
| | - | - | 48,635 |
| Total assets | \$ 60,057 | \$ 537,647 | \$ 408,143 |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 23,788 | \$ 31,780 |
| Accrued expenses | - | - | 7,308 |
| Due to other funds | - | - | - |
| Due to other governments | 50,044 | - | - |
| Unearned revenue | 10,013 | - | - |
| Total liabilities | 60,057 | 23,788 | 39,088 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unavailable revenue - property taxes | - | 121,648 | 15,074 |
| Total deferred inflow of resources | - | 121,648 | 15,074 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaid expenditures | - | - | 48,635 |
| Restricted for: | | | |
| Debt service | - | - | - |
| Public safety | - | 392,211 | 305,346 |
| Capital outlay | - | - | - |
| Unassigned (deficit) | - | - | - |
| Total fund balances | - | 392,211 | 353,981 |
| Total liabilities, deferred inflow of resources, and fund balances | \$ 60,057 | \$ 537,647 | \$ 408,143 |

| Debt Service Funds | | | Capital Projects Funds | | | | |
|----------------------------------|-----------------------------------|-------------------------------|------------------------|-------------------------|---------------------|---------------------|--|
| Laurens Rural Fire Department | Special Source Revenue Bond | General Obligation Bond | C Funds | Fire Capital Reserve | Detention Center | Total | |
| \$ - | \$ - | \$ - | \$ 1,315,113 | \$ - | \$ - | \$ 1,325,126 | |
| 2,627 | - | 60,452 | - | 12,139 | - | 220,706 | |
| - | - | - | - | - | - | 1,527 | |
| 76,511 | 10,403 | 795,266 | - | 526,022 | - | 2,158,342 | |
| - | - | - | - | - | - | 50,044 | |
| - | - | - | - | - | - | 48,635 | |
| <u>\$ 79,138</u> | <u>\$ 10,403</u> | <u>\$ 855,718</u> | <u>\$ 1,315,113</u> | <u>\$ 538,161</u> | <u>\$ -</u> | <u>\$ 3,804,380</u> | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 55,568 | |
| - | - | - | - | - | - | 7,308 | |
| - | - | - | - | - | 51,467 | 51,467 | |
| - | - | - | - | - | - | 50,044 | |
| - | - | - | - | - | - | 10,013 | |
| - | - | - | - | - | 51,467 | 174,400 | |
| 2,676 | - | 58,164 | - | 11,161 | - | 208,723 | |
| <u>2,676</u> | <u>-</u> | <u>58,164</u> | <u>-</u> | <u>11,161</u> | <u>-</u> | <u>208,723</u> | |
| - | - | - | - | - | - | 48,635 | |
| 76,462 | 10,403 | 797,554 | - | - | - | 884,419 | |
| - | - | - | - | - | - | 697,557 | |
| - | - | - | 1,315,113 | 527,000 | - | 1,842,113 | |
| - | - | - | - | - | (51,467) | (51,467) | |
| <u>76,462</u> | <u>10,403</u> | <u>797,554</u> | <u>1,315,113</u> | <u>527,000</u> | <u>(51,467)</u> | <u>3,421,257</u> | |
| <u>\$ 79,138</u> | <u>\$ 10,403</u> | <u>\$ 855,718</u> | <u>\$ 1,315,113</u> | <u>\$ 538,161</u> | <u>\$ -</u> | <u>\$ 3,804,380</u> | |

LAURENS COUNTY, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Special Revenue Funds | | |
|--|--------------------------|---------------|---------------------|
| | Community Development | Rural Fire | Fire Coordinator |
| Revenues: | | | |
| Property taxes | \$ - | \$ 2,328,255 | \$ 284,564 |
| Intergovernmental | 474,057 | 6,415 | 1,120 |
| Interest income | - | - | - |
| Other revenues | - | - | 264,121 |
| Total revenues | 474,057 | 2,334,670 | 549,805 |
| Expenditures: | | | |
| Current: | | | |
| Public safety | - | 2,086,699 | 825,419 |
| Housing and development | 479,057 | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal | - | - | 153,000 |
| Interest | - | - | - |
| Total expenditures | 479,057 | 2,086,699 | 978,419 |
| Excess (deficiency) of revenues over (under) expenditures | (5,000) | 247,971 | (428,614) |
| Other financing sources: | | | |
| Transfers in | - | - | - |
| Total other financing sources | - | - | - |
| Net change in fund balances | (5,000) | 247,971 | (428,614) |
| Fund balances (deficit), beginning of year, as restated | 5,000 | 144,240 | 782,595 |
| Fund balances (deficit), end of year | \$ - | \$ 392,211 | \$ 353,981 |

| Debt Service Funds | | | Capital Projects Funds | | | |
|----------------------------------|-----------------------------------|-------------------------------|------------------------|-------------------------|---------------------|--------------|
| Laurens Rural Fire Department | Special Source Revenue Bond | General Obligation Bond | C Funds | Fire Capital Reserve | Detention Center | Total |
| \$ - | \$ - | \$ 983,738 | \$ - | \$ 270,104 | \$ - | \$ 3,866,661 |
| - | - | - | 1,428,635 | - | - | 1,910,227 |
| 321 | - | 1,626 | - | - | - | 1,947 |
| - | 9,827 | - | - | - | - | 273,948 |
| 321 | 9,827 | 985,364 | 1,428,635 | 270,104 | - | 6,052,783 |
| - | - | - | - | - | - | 2,912,118 |
| - | - | - | - | - | - | 479,057 |
| - | - | - | 1,312,428 | 41,334 | - | 1,353,762 |
| - | - | 326,704 | - | 185,378 | - | 665,082 |
| - | - | 203,391 | - | 61,381 | - | 264,772 |
| - | - | 530,095 | 1,312,428 | 288,093 | - | 5,674,791 |
| 321 | 9,827 | 455,269 | 116,207 | (17,989) | - | 377,992 |
| - | - | - | 1,198,906 | - | - | 1,198,906 |
| - | - | - | 1,198,906 | - | - | 1,198,906 |
| 321 | 9,827 | 455,269 | 1,315,113 | (17,989) | - | 1,576,898 |
| 76,141 | 576 | 342,285 | - | 544,989 | (51,467) | 1,844,359 |
| \$ 76,462 | \$ 10,403 | \$ 797,554 | \$ 1,315,113 | \$ 527,000 | \$ (51,467) | \$ 3,421,257 |

LAURENS COUNTY, SOUTH CAROLINA

AGENCY FUNDS

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

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

LAURENS COUNTY, SOUTH CAROLINA

**COMBINING BALANCE SHEET
AGENCY FUNDS**

JUNE 30, 2014

| ASSETS | Treasurer | Clerk of Courts | Total |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Cash | \$ 22,406,334 | \$ 47,260 | \$ 22,453,594 |
| Taxes receivable | <u>2,599,299</u> | <u>-</u> | <u>2,599,299</u> |
| Total assets | <u>\$ 25,005,633</u> | <u>\$ 47,260</u> | <u>\$ 25,052,893</u> |
| LIABILITIES | | | |
| Due to others | \$ 22,406,334 | \$ 47,260 | \$ 22,453,594 |
| Uncollected taxes | <u>2,599,299</u> | <u>-</u> | <u>2,599,299</u> |
| Total liabilities | <u>\$ 25,005,633</u> | <u>\$ 47,260</u> | <u>\$ 25,052,893</u> |

LAURENS COUNTY, SOUTH CAROLINA

SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES VICITIMS ASSISTANCE FUNDS

JUNE 30, 2014

Court fines

| | | |
|---|----|-----------------------|
| Court fines collected | \$ | 1,349,639 |
| Court fines retained by County | | <u>951,788</u> |
| Court fines remitted to State Treasurer | \$ | <u><u>397,851</u></u> |

Court assessments

| | | |
|---|----|-----------------------|
| Court assessments collected | \$ | 390,672 |
| Court assessments retained by County | | <u>42,279</u> |
| Court assessments remitted to State Treasurer | \$ | <u><u>348,393</u></u> |

Court surcharges

| | | |
|---|----|-----------------------|
| Court surcharges collected | \$ | 252,893 |
| Court surcharges retained by County | | <u>39,395</u> |
| Court fines remitted to State Treasurer | \$ | <u><u>213,498</u></u> |

Victims' assistance

| | | |
|---|----|------------------|
| Court assessments allocated to victims' assistance | \$ | 42,279 |
| Court surcharges allocated to victims's assistance | | 39,395 |
| Intergovernmental funds | | 52,763 |
| Local funds | | <u>36,241</u> |
| Funds allocated to victims' assistance | | 170,678 |
| Victims' assistance expenditures | | <u>(170,678)</u> |
| Funds available for carryforward | | - |
| Funds carried forward from prior year | | - |
| Funds available for carryforward to subsequent year | \$ | <u><u>-</u></u> |

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laurens County, South Carolina (the "County") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Laurens County, South Carolina's basic financial statements and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2014-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

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

Laurens County, South Carolina's Response to Finding

Laurens County, South Carolina's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Laurens 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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 30, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Laurens County, South Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2014. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
December 30, 2014

LAURENS COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Number | Federal Expenditures |
|---|------------------------------------|--|---------------------------------|
| U.S. Homeland Security Administration | | | |
| Passed through South Carolina Law Enforcement Division | | | |
| Local Emergency Management Performance | 97.042 | 13EMPG01 | \$ 69,817 |
| Total U.S. Homeland Security Administration | | | <u>69,817</u> |
| U.S. Department of Justice | | | |
| Passed through Office of the Justice Program | | | |
| Edward R. Byrne Justice Assistant Grant | 16.738 | 2012-DJ-BX-1140 | 21,604 |
| Bulletproof Vest Partnership Program | 16.738 | 2013-DJ-BX-1440 | 8,935 |
| Total JAG Program Cluster | | | <u>30,539</u> |
| Total U.S. Department Justice | | | <u>30,539</u> |
| U.S. Department of Transportation | | | |
| Direct Award | | | |
| Airport Improvement Grant | 20.106 | 3-45-0036-012-2012 | 47,353 |
| Total U.S. Department of Transportation | | | <u>47,353</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through South Carolina Department of Social Services | | | |
| Child Support Enforcement | 93.563 | | 194,588 |
| Total U.S. Department of Health and Human Services | | | <u>194,588</u> |
| U.S. Department of Housing & Urban Development | | | |
| Passed through State Department of Commerce | | | |
| CDBG - State Administered CDBG Cluster | 14.228 | 4-CL-12-018 | 399,425 |
| CDBG - State Administered CDBG Cluster | 14.228 | 4-CL-13-012 | 29,375 |
| Total CDBG - State Administered CDBG Cluster | | | <u>428,800</u> |
| Total U.S. Department of Housing & Urban Development | | | <u>428,800</u> |
| Total Expenditures of Federal Awards | | | \$ <u>771,097</u> |

LAURENS COUNTY, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE I. BASIS OF PRESENTATION

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

NOTE II. NONCASH ASSISTANCE AND LOANS

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

LAURENS COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

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

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

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

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

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

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

Identification of major programs:

CFDA Number
 14.228

Name of Federal Program or Cluster
 CDBG – State Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? ___ yes X no

LAURENS COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. Financial Reporting Entity

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

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

Context: We addressed this matter with County officials and they determined that these entities should not be included in the County's financial statements.

Effect: A prior period adjustment to decrease cash and fund balance in the amount of \$542,287 was required to be recorded in the nonmajor governmental funds as of June 30, 2013.

Cause: The County improperly included these entities in the County's financial statements.

Recommendation: We recommend that the County only included those related entities in accordance with Governmental Accounting Standards

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to evaluate entities to determine prior inclusion in the County's financial statements.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

LAURENS COUNTY, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

None reported.