

LAURENS COUNTY, SOUTH CAROLINA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

LAURENS COUNTY, SOUTH CAROLINA

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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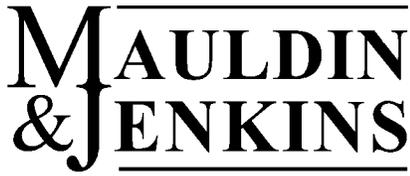
LAURENS COUNTY, SOUTH CAROLINA

**FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016, 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, 2016, 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 10), and the Schedule of County's Proportionate Share of the Net Pension Liability and Schedule of County Contributions (on pages 56 and 57) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens County, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The summary schedule of court fines, assessments and surcharges is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the summary schedule of court fines, assessments and surcharges 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 and the summary schedule of court fines, assessments, and surcharges 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 28, 2016, 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 28, 2016

Laurens County, South Carolina

Management's Discussion and Analysis

June 30, 2016

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, 2016. 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, 2016 by \$38 million (net position). Of this amount, \$55.2 million is net investment in capital assets; \$6.4 million is restricted for capital activity, debt service, family services and public safety, and with unrestricted net position of approximately (\$23.7 million).
- The County repaid \$3.0 million of bond and financing lease payables during the year. The County issued \$2.5 million in new debt during the year to renovate and construct new fire stations throughout the County.
- During the year, the County's general fund balance decreased by \$758 thousand.
- The general fund actual revenues were \$1.1 million greater than budgeted and general fund expenditures were \$839 thousand 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, 2016

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.

- 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 \$784 thousand or 2.0 percent between fiscal years 2015 and 2016 (See Table A-1)

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

	Governmental Activities		Total Percent Change
	2015	2016	
Current and other assets	\$ 15,533	\$ 15,913	2.4%
Capital assets	69,919	68,816	-1.6%
Total assets	<u>85,452</u>	<u>84,729</u>	-0.8%
Total deferred outflows of resources	<u>2,078</u>	<u>2,184</u>	5.1%
Current liabilities	12,408	13,907	12.1%
Long-term liabilities	<u>34,215</u>	<u>34,696</u>	1.4%
Total liabilities	<u>46,623</u>	<u>48,603</u>	4.2%
Total deferred inflows of resources	<u>2,166</u>	<u>353</u>	100.0%
Net position:			
Net investment in capital assets	55,761	55,248	-0.9%
Restricted	6,483	6,442	-0.6%
Unrestricted, as restated	<u>(23,503)</u>	<u>(23,733)</u>	1.0%
Total net position	<u>\$ 38,741</u>	<u>\$ 37,957</u>	-2.0%

Net unrestricted position of our governmental activities increased by \$270 thousand. Capital assets of \$4.2 million were acquired during the year while depreciation expense on new and existing capital assets totaled \$5.3 million.

Changes in net position. The County's total revenues increased by 15.0 percent to \$40.3 million. (See Table A-2) Approximately 49.2 percent of the County's total revenue comes from property taxes, 19 percent comes from fees charged for services and 30.8 percent is from state and federal aid.

The total cost of all programs and services increased approximately \$984 thousand or 2.5 percent. The County's expenses cover a range of services, with about 36.5 percent related to public safety. Table A-2 and the narrative that follows consider the operations of governmental activities.

GOVERNMENTAL ACTIVITIES

Revenues for the County's governmental activities increased 15.0 percent, while total expenses increased by 2.5 percent.

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

	Governmental Activities		Total Percent Change
	<u>2015</u>	<u>2016</u>	
Revenues			
Program revenues:			
Charges for services	\$ 7,611	\$ 7,654	0.6%
Operating grants and contributions	4,138	4,157	0.5%
Capital grants and contributions	2,946	8,263	180.5%
General revenues:			
Property taxes	20,126	19,822	-1.5%
Unrestricted investment earnings	200	327	63.5%
Gain on sale of assets	1	69	100.0%
Total revenues	<u>35,022</u>	<u>40,292</u>	15.0%
Program Expenses			
General government	11,546	9,180	-20.5%
Judicial	1,352	1,341	-0.8%
Public safety	15,720	14,999	-4.6%
Public works	7,540	12,379	64.2%
Health and welfare	340	333	-2.1%
Culture and recreation	942	846	-10.2%
Economic development	2,076	1,509	-27.3%
Interest on long-term debt	576	489	-15.1%
Total expenses	<u>40,092</u>	<u>41,076</u>	2.5%
Increase (decrease) in net position	<u>\$ (5,070)</u>	<u>\$ (784)</u>	-84.5%

Total revenues were \$ 5.3 million greater than the prior year. During the current year, grants increased by \$5.3 million, property taxes decreased by \$304 thousand, and other revenues decreased by \$195 thousand as compared to the prior year.

Current year expenses were \$984 thousand greater than prior year. General government, public safety, health and welfare, culture and recreation, and interest on long-term debt had decrease in expenses totaling \$3.3 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$13.2 million which is greater than the prior year by \$1.2 million.

General Fund Budgetary Highlights

Actual general fund expenditures were \$839 thousand greater than budgeted amounts, primarily resulting from negative budget variances in employee benefits of \$278 thousand and non-budgeted capital asset purchases of \$628 thousand.

The resources available for appropriation were \$1.1 million greater than the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the County had invested \$68.8 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 \$4.1 million. However, after depreciation, capital assets decreased \$1.1 million or 1.6 percent, over last year.

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

	Governmental Activities		Total Percent Change
	<u>2015</u>	<u>2016</u>	
Land	\$ 2,870	\$ 4,207	46.6%
Construction in progress	1,826	3,430	100.0%
Buildings	17,142	16,736	-2.4%
Equipment	5,807	5,766	-0.7%
Infrastructure	42,274	38,677	-8.5%
Total capital assets, net	<u>\$ 69,919</u>	<u>\$ 68,816</u>	-1.6%

More detailed information about the County's capital assets is presented in Note 6 on pages 36 and 37 in the notes to the financial statements.

Laurens County, South Carolina
Management's Discussion and Analysis
June 30, 2016

Long-term Debt

At year-end, the County had \$13.6 in bonds and capital lease obligations outstanding, a decrease of 4.2 percent over last year as shown in Table A-4. More detailed information about the County's long-term debt is presented in Note 7 on pages 36 through 40 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
	2015	2016	
General obligation bonds	\$ 9,084	\$ 10,474	15.3%
Special source revenue bonds	2,679	1,437	-46.4%
Capital leases payable	2,396	1,657	-30.8%
Total outstanding debt	<u>\$ 14,159</u>	<u>\$ 13,568</u>	-4.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unemployment at June 30, 2016 stood at 5.8 percent versus 7.9 percent a year ago. This compares slightly unfavorably with the state's rate of 5.6 percent and unfavorable with the national rate of 5.1 percent. These indicators were taken into account when adopting the general fund budget for fiscal year 2016. The general "operating" fund budget for 2017 is approximately \$29.8 million. Capital expenditures approved in the fiscal year 2017 capital budget were approximately \$1.2 million. The County has added no major new programs or initiatives to the 2017 budget. With the approval of the 2017 budget, the County should continue to move in a positive direction. The 2017 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 Jon Caime, 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, 2016

	Primary Government	Component Unit
ASSETS	Governmental Activities	Laurens County Library
Cash and cash equivalents	\$ 8,956,927	\$ 47,789
Investments	3,593,552	20,176
Taxes receivable	666,160	-
Accounts receivable	689,709	-
Due from other governments	1,450,891	-
Prepaid expenses	555,884	36,686
Capital assets, non-depreciable	7,636,393	33,700
Capital assets, depreciable, net of accumulated depreciation	61,179,173	785,449
Total assets	84,728,689	923,800
DEFERRED OUTFLOWS OF RESOURCES		
Pension experience differences	446,398	12,860
Pension investment return	201,009	5,791
Pension changes in proportion and differences between County contributions and proportionate share of contributions	43,286	1,247
Pension contributions subsequent to the measurement date	1,493,435	43,023
Total deferred outflows of resources	2,184,128	62,921
LIABILITIES		
Accounts payable	1,310,306	10,579
Accrued liabilities	843,511	-
Due to other governments	35,336	-
Unearned revenues	97,904	-
Net OPEB obligation	8,134,788	234,335
Capital leases due within one year	512,912	957
Capital leases due in more than one year	1,143,612	2,817
Bonds payable due within one year	2,508,078	-
Bonds payable due in more than one year	9,402,926	-
Compensated absences due within one year	463,820	-
Compensated absences due in more than one year	115,955	-
Net pension liability	24,033,579	692,360
Total liabilities	48,602,727	941,048
DEFERRED INFLOWS OF RESOURCES		
Pension experience differences	26,082	751
Pension changes in proportion and differences between County contributions and proportionate share of contributions	326,699	9,412
Total deferred inflows of resources	352,781	10,163
NET POSITION		
Net investment in capital assets	55,248,038	819,149
Restricted for:		
Family services	34,466	-
Detention center	381,484	-
Debt service	1,048,175	-
Public safety	1,945,019	-
Capital outlay	3,033,031	-
Unrestricted	(23,732,904)	(783,639)
Total net position	\$ 37,957,309	\$ 35,510

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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 9,179,593	\$ 2,157,497	\$ 3,871,479	\$ -
Judicial	1,341,101	-	-	-
Public safety	14,998,601	3,616,857	257,123	385,691
Public works	12,378,906	1,879,600	28,090	6,274,198
Health and welfare	333,255	-	-	-
Culture and recreation	845,986	-	-	-
Housing and development	1,509,387	-	-	1,603,015
Interest on long-term debt	488,503	-	-	-
Total governmental activities	<u>41,075,332</u>	<u>7,653,954</u>	<u>4,156,692</u>	<u>8,262,904</u>
Total primary government	<u>\$ 41,075,332</u>	<u>\$ 7,653,954</u>	<u>\$ 4,156,692</u>	<u>\$ 8,262,904</u>
Component unit:				
Laurens County Library	\$ 1,535,846	\$ 97,713	\$ 723,520	\$ -
Total component unit	<u>\$ 1,535,846</u>	<u>\$ 97,713</u>	<u>\$ 723,520</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
 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	
\$ (3,150,617)		\$ -	
(1,341,101)		-	
(10,738,930)		-	
(4,197,018)		-	
(333,255)		-	
(845,986)		-	
93,628		-	
(488,503)		-	
<u>(21,001,782)</u>		<u>-</u>	
<u>\$ (21,001,782)</u>		<u>\$ -</u>	
<u>\$ -</u>		<u>\$ (714,613)</u>	
<u>\$ -</u>		<u>\$ (714,613)</u>	
\$ 19,821,873		\$ -	
327,231		8	
68,998		-	
<u>20,218,102</u>		<u>8</u>	
(783,680)		(714,605)	
38,740,989		750,115	
<u>\$ 37,957,309</u>		<u>\$ 35,510</u>	

LAURENS COUNTY, SOUTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

ASSETS	General	Fire Capital Reserve	C Funds	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 7,044,468	\$ -	\$ 1,911,446	\$ 1,013	\$ 8,956,927
Investments	3,593,552	-	-	-	3,593,552
Taxes receivable	527,322	8,551	-	130,287	666,160
Accounts receivable	686,559	-	3,150	-	689,709
Due from other funds	43,040	2,631,905	-	3,292,848	5,967,793
Due from other governments	1,450,891	-	-	-	1,450,891
Prepaid expenditures	555,884	-	-	-	555,884
Total assets	<u>\$ 13,901,716</u>	<u>\$ 2,640,456</u>	<u>\$ 1,914,596</u>	<u>\$ 3,424,148</u>	<u>\$ 21,880,916</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,215,422	\$ -	\$ -	\$ 94,884	\$ 1,310,306
Accrued expenses	688,428	-	3,150	-	691,578
Due to other funds	5,924,753	-	43,040	-	5,967,793
Due to other governments	35,336	-	-	-	35,336
Unearned revenue	97,904	-	-	-	97,904
Total liabilities	<u>7,961,843</u>	<u>-</u>	<u>46,190</u>	<u>94,884</u>	<u>8,102,917</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	491,052	7,668	-	118,049	616,769
Total deferred inflow of resources	<u>491,052</u>	<u>7,668</u>	<u>-</u>	<u>118,049</u>	<u>616,769</u>
FUND BALANCES					
Nonspendable					
Prepaid expenditures	555,884	-	-	-	555,884
Restricted for:					
Family services	34,466	-	-	-	34,466
Detention center	381,484	-	-	-	381,484
Debt service	-	-	-	1,048,175	1,048,175
Public safety	182,233	-	-	1,762,786	1,945,019
Capital outlay	-	2,632,788	-	400,243	3,033,031
Committed for:					
Demolition projects	12,695	-	-	-	12,695
Roads and bridges	-	-	1,868,406	-	1,868,406
Parks and recreation	50,354	-	-	-	50,354
Capital outlay	18,985	-	-	-	18,985
Unassigned (deficit)	4,212,720	-	-	11	4,212,731
Total fund balances	<u>5,448,821</u>	<u>2,632,788</u>	<u>1,868,406</u>	<u>3,211,215</u>	<u>13,161,230</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 13,901,716</u>	<u>\$ 2,640,456</u>	<u>\$ 1,914,596</u>	<u>\$ 3,424,148</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.	68,815,566
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	616,769
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. These deferred outflows of resources consist of pension related experience differences, investment return, changes in proportionate share of contributions, and subsequent contributions.	2,184,128
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(38,332,815)
The net OPEB obligation is not due and payable in the current period and, therefore, is not reported in governmental funds.	(8,134,788)
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. These deferred inflows of resources consist of pension related experience differences and changes in proportionate share of contributions.	(352,781)
Net position of governmental activities	<u>\$ 37,957,309</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
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Fire Capital Reserve</u>	<u>C Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Property taxes	\$ 16,637,083	\$ 284,975	\$ -	\$ 4,080,945	\$ 21,003,003
Licenses and permits	505,322	-	-	-	505,322
Intergovernmental	4,646,564	-	5,920,494	1,549,538	12,116,596
Charges for services	6,140,191	-	-	-	6,140,191
Fines and forfeitures	730,290	-	-	70,767	801,057
Interest	47,488	12,374	1,288	266,081	327,231
Other revenues	203,914	-	-	306,470	510,384
Total revenues	<u>28,910,852</u>	<u>297,349</u>	<u>5,921,782</u>	<u>6,273,801</u>	<u>41,403,784</u>
Expenditures:					
Current:					
General government	8,892,207	-	-	-	8,892,207
Judicial	1,354,186	-	-	-	1,354,186
Public safety	11,822,705	-	-	2,529,735	14,352,440
Public works	3,623,285	-	-	-	3,623,285
Health and welfare	304,856	-	-	-	304,856
Culture and recreation	812,828	-	-	-	812,828
Housing and development	1,077,379	-	-	335,067	1,412,446
Capital outlay	-	381,189	5,560,178	2,768,095	8,709,462
Debt service:					
Principal	1,316,816	219,059	-	1,195,258	2,731,133
Interest	129,152	27,700	-	313,998	470,850
Bond issuance costs	-	46,528	-	220	46,748
Total expenditures	<u>29,333,414</u>	<u>674,476</u>	<u>5,560,178</u>	<u>7,142,373</u>	<u>42,710,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(422,562)</u>	<u>(377,127)</u>	<u>361,604</u>	<u>(868,572)</u>	<u>(1,306,657)</u>
Other financing sources (uses):					
Proceeds from sale of assets	68,998	-	-	-	68,998
Bond issuance	-	2,450,000	-	-	2,450,000
Transfers in	30,000	-	-	433,961	463,961
Transfers out	(433,961)	-	-	(30,000)	(463,961)
Total other financing sources (uses)	<u>(334,963)</u>	<u>2,450,000</u>	<u>-</u>	<u>403,961</u>	<u>2,518,998</u>
Net change in fund balances	(757,525)	2,072,873	361,604	(464,611)	1,212,341
Fund balances, beginning of year	<u>6,206,346</u>	<u>559,915</u>	<u>1,506,802</u>	<u>3,675,826</u>	<u>11,948,889</u>
Fund balances, end of year	<u>\$ 5,448,821</u>	<u>\$ 2,632,788</u>	<u>\$ 1,868,406</u>	<u>\$ 3,211,215</u>	<u>\$ 13,161,230</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 BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds	\$	1,212,341
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.		(1,103,917)
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.		(1,181,130)
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.		590,608
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>(301,582)</u>
Change in net position of governmental activities	\$	<u><u>(783,680)</u></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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 15,788,813	\$ 15,788,813	\$ 16,637,083	\$ 848,270
Licenses and permits	384,800	384,800	505,322	120,522
Intergovernmental	4,466,099	4,466,099	4,646,564	180,465
Charges for services	5,972,480	5,972,480	6,140,191	167,711
Fines and forfeitures	1,030,000	1,030,000	730,290	(299,710)
Interest income	30,000	30,000	47,488	17,488
Miscellaneous	108,150	108,150	203,914	95,764
Total revenues	<u>27,780,342</u>	<u>27,780,342</u>	<u>28,910,852</u>	<u>1,130,510</u>
Expenditures:				
Current:				
General government:				
Administrative	305,559	305,559	319,248	(13,689)
County attorney	118,743	118,743	121,825	(3,082)
Tax assessor	367,644	367,644	359,681	7,963
Auditor	477,918	477,918	391,048	86,870
Contingency	125,000	125,000	113,186	11,814
County council	101,589	101,589	100,164	1,425
Finance	176,321	176,321	173,716	2,605
Human resources	125,923	125,923	127,291	(1,368)
Registration and elections	222,947	222,947	280,659	(57,712)
Treasurer	366,179	366,179	572,536	(206,357)
Purchasing	70,141	70,141	70,229	(88)
Risk management	21,550	21,550	1,243	20,307
Benefits and insurance	4,978,050	4,978,050	5,256,071	(278,021)
Equipment	269,145	269,145	898,049	(628,904)
Miscellaneous	107,600	107,600	107,261	339
Total general government	<u>7,834,309</u>	<u>7,834,309</u>	<u>8,892,207</u>	<u>(1,057,898)</u>
Judicial:				
Clerk of court	637,596	637,596	611,627	25,969
Magistrate court	452,074	452,074	464,863	(12,789)
Probate court	257,548	257,548	256,297	1,251
Judicial grants	30,000	30,000	21,399	8,601
Total judicial	<u>1,377,218</u>	<u>1,377,218</u>	<u>1,354,186</u>	<u>23,032</u>

(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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Emergency operations	\$ 900,802	\$ 900,802	\$ 830,117	\$ 70,685
Coroner	159,133	159,133	133,929	25,204
Detention center	3,047,867	3,047,867	3,054,674	(6,807)
Public safety grants	1,500	1,500	2,458	(958)
E911	541,834	541,834	522,741	19,093
Emergency management services	3,389,328	3,389,328	3,355,768	33,560
Emergency management	146,667	146,667	75,628	71,039
Sheriff	3,893,109	3,893,109	3,847,390	45,719
Total public safety	<u>12,080,240</u>	<u>12,080,240</u>	<u>11,822,705</u>	<u>257,535</u>
Public works:				
Building and grounds	732,183	732,183	793,855	(61,672)
Public works	157,212	157,212	165,768	(8,556)
Roads and bridges	764,127	764,127	693,455	70,672
Landfill	996,933	996,933	1,039,941	(43,008)
Rural collections	974,817	974,817	930,266	44,551
Total public works	<u>3,625,272</u>	<u>3,625,272</u>	<u>3,623,285</u>	<u>1,987</u>
Health and welfare:				
Health department	14,250	14,250	16,610	(2,360)
Social services	66,800	66,800	158,665	(91,865)
Veterans affairs	134,919	134,919	129,581	5,338
Total health and welfare	<u>215,969</u>	<u>215,969</u>	<u>304,856</u>	<u>(88,887)</u>
Culture and recreation:				
Libraries	663,047	663,047	654,390	8,657
Parks and recreation	189,244	189,244	158,438	30,806
Total culture and recreation	<u>852,291</u>	<u>852,291</u>	<u>812,828</u>	<u>39,463</u>
Housing and development:				
Airport	82,119	82,119	114,986	(32,867)
Clemson extension	34,800	34,800	33,789	1,011
Inspections	364,116	364,116	362,947	1,169
Local government assistance	355,654	355,654	355,585	69
Special appropriations	42,200	42,200	42,200	-
Technical education	183,964	183,964	167,872	16,092
Total housing and development	<u>1,062,853</u>	<u>1,062,853</u>	<u>1,077,379</u>	<u>(14,526)</u>

(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, 2016

	<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	\$ 1,316,661	\$ 1,316,661	\$ 1,316,816	\$ (155)
Interest	129,265	129,265	129,152	113
Total debt service	<u>1,445,926</u>	<u>1,445,926</u>	<u>1,445,968</u>	<u>(42)</u>
Total expenditures	<u>28,494,078</u>	<u>28,494,078</u>	<u>29,333,414</u>	<u>(839,336)</u>
Deficiency of revenues under expenditures	<u>(713,736)</u>	<u>(713,736)</u>	<u>(422,562)</u>	<u>291,174</u>
Other financing sources (uses):				
Proceeds from sale of assets	60,000	60,000	68,998	8,998
Transfers in	30,000	30,000	30,000	-
Transfers out	-	-	(433,961)	(433,961)
Total other financing sources (uses)	<u>90,000</u>	<u>90,000</u>	<u>(334,963)</u>	<u>(424,963)</u>
Net change in fund balances	(623,736)	(623,736)	(757,525)	(133,789)
Fund balance, beginning of year	<u>6,206,346</u>	<u>6,206,346</u>	<u>6,206,346</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,582,610</u>	<u>\$ 5,582,610</u>	<u>\$ 5,448,821</u>	<u>\$ (133,789)</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, 2016

ASSETS		Agency Funds
Cash		\$ 24,567,406
Taxes receivable		<u>1,567,101</u>
Total assets		<u>\$ 26,134,507</u>
LIABILITIES		
Due to others		\$ 24,567,406
Uncollected taxes		<u>1,567,101</u>
Total liabilities		<u>\$ 26,134,507</u>

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

LAURENS COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

D. Cash, Cash Equivalents and Investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash, Cash Equivalents and Investments (Continued)

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.

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, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four of these items relating to the County's Retirement Plan and is reported in the government-wide statement of net position. Experience gains or losses result from periodic studies by the County's actuary, which adjust the net position liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The differences between projected investment return on pension investments and actual return on those investments are deferred and amortized against pension expense over a five year period, resulting in recognition as deferred inflows of resources. The changes in the County's proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred outflows. Additionally, any contributions made by the County to the pension plan before year end but subsequent to the measurement date of the County's net pension liability are reported as deferred outflows of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 three types of items that qualify for reporting in this category, one of which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other items relate to the County's Retirement Plan and are reported in the government-wide statements of net position. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The changes in the County's proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred inflows.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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

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

- Committed
- Assigned
- Unassigned

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$38,332,815 difference are as follows:

Bonds payable	\$ (11,911,004)
Capital leases	(1,656,524)
Accrued interest	(151,933)
Net pension liability	(24,033,579)
Compensated absences	<u>(579,775)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (38,332,815)</u>

Another element of that reconciliation states the “deferred outflows of resources are not due and payable in the current period and therefore are not reported in governmental funds.” The details of this \$2,184,128 difference are as follows:

Pension experience differences	\$ 446,398
Pension investment return	201,009
Pension changes in proportion and differences between County contributions and proportionate share of contributions	43,286
Pension contributions subsequent to the measurement date	<u>1,493,435</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 2,184,128</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states the “deferred inflows of resources are not due and payable in the current period and therefore are not reported in governmental funds.” The details of this \$352,781 difference are as follows:

Pension experience differences	\$ (26,082)
Pension changes in proportion and differences between County contributions and proportionate share of contributions	<u>(326,699)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (352,781)</u></u>

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 \$1,103,917 difference are as follows:

Capital outlay	\$ 4,160,964
Depreciation expense	<u>(5,264,881)</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><u>\$ (1,103,917)</u></u>

NOTES TO FINANCIAL STATEMENTS

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (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 \$590,608 difference are as follows:

General obligation bonds issued	\$ (2,450,000)
Principal repayment - general obligation bonds	2,301,416
Principal repayment - capital leases	<u>739,192</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>\$ 590,608</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 \$301,582 difference are as follows:

Compensated absences	\$ 116,308
Net pension liability	411,079
Net OPEB obligation	(858,064)
Accrued interest	<u>29,095</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>\$ (301,582)</u></u>

NOTE 3. BUDGETARY ACCOUNTING AND REPORTING

A. Budgetary Policies

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY ACCOUNTING AND REPORTING (CONTINUED)

A. Budgetary Policies (Continued)

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, 2016, expenditures exceeded appropriations as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Administrative	\$ 13,689
County attorney	3,082
Human resources	1,368
Registration and elections	57,712
Treasurer	206,357
Purchasing	88
Benefits and insurance	278,021
Equipment	628,904
Magistrate court	12,789
Detention center	6,807
Public safety grants	958
Building and grounds	61,672
Public works	8,556
Landfill	43,008
Health department	2,360
Social services	91,865
Airport	32,867
Debt service	42

These over-expenditures were funded by under-expenditures in other departments of the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

Statement of Net Position:	
Primary government	
Cash and cash equivalents	\$ 8,956,927
Investments	3,593,552
Statement of Fiduciary Net Position:	
Cash and cash equivalents	24,567,406
	<u>\$ 37,117,885</u>
Cash deposited with financial institutions	\$ 9,584,566
SC State Investment Pool	23,939,767
Certificates of deposit	3,593,552
	<u>\$ 37,117,885</u>

Credit risk. This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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, 2016, 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

At June 30, 2016, the County had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	6-10
SC State Investment Pool	\$ 23,939,767	\$ 23,939,767	\$ -	\$ -
Certificates of deposit	3,593,552	990,433	2,356,119	247,000
	<u>\$ 27,533,319</u>	<u>\$ 24,930,200</u>	<u>\$ 2,356,119</u>	<u>\$ 247,000</u>

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, 2016, none of the County or Library deposits were exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

Fair Value Measurement: The South Carolina Local Government Investment Pool (LGIP) is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the County does not disclose its investment in the LGIP within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables at June 30, 2016, for the County's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Fire Capital Reserve	Nonmajor Governmental Funds	Total
Receivables:				
Taxes	\$ 538,084	\$ 8,726	\$ 132,946	\$ 679,756
Accounts	1,327,299	-	-	1,327,299
Gross receivables	1,865,383	8,726	132,946	2,007,055
Less allowance for uncollectibles	(651,502)	(175)	(2,659)	(654,336)
Net receivables	<u>\$ 1,213,881</u>	<u>\$ 8,551</u>	<u>\$ 130,287</u>	<u>\$ 1,352,719</u>

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, 2016, 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	\$ 1,336,232	\$ -	\$ 4,206,547
Construction in progress	1,825,833	1,604,013	-	3,429,846
Total capital assets, not being depreciated	<u>4,696,148</u>	<u>2,940,245</u>	<u>-</u>	<u>7,636,393</u>
Capital assets, being depreciated:				
Buildings	25,457,604	147,614	-	25,605,218
Equipment	18,153,802	1,073,105	-	19,226,907
Infrastructure	113,850,390	-	-	113,850,390
Total capital assets, being depreciated	<u>157,461,796</u>	<u>1,220,719</u>	<u>-</u>	<u>158,682,515</u>
Less accumulated depreciation for:				
Buildings	(8,315,901)	(553,198)	-	(8,869,099)
Equipment	(12,346,451)	(1,114,874)	-	(13,461,325)
Infrastructure	(71,576,109)	(3,596,809)	-	(75,172,918)
Total accumulated depreciation	<u>(92,238,461)</u>	<u>(5,264,881)</u>	<u>-</u>	<u>(97,503,342)</u>
Total capital assets, being depreciated, net	<u>65,223,335</u>	<u>(4,044,162)</u>	<u>-</u>	<u>61,179,173</u>
Governmental activities capital assets, net	<u>\$ 69,919,483</u>	<u>\$ (1,103,917)</u>	<u>\$ -</u>	<u>\$ 68,815,566</u>

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

Governmental activities:	
General government	\$ 261,172
Public safety	1,404,770
Public works	3,525,289
Health and welfare	36,251
Culture and recreation	37,399
Total depreciation expense - governmental activities	<u>\$ 5,264,881</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Laurens County Library

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 33,700	\$ -	\$ -	\$ 33,700
Total capital assets, not being depreciated	33,700	-	-	33,700
Capital assets, being depreciated:				
Buildings	1,312,952	-	-	1,312,952
Equipment and books	1,422,283	168,046	(258,975)	1,331,354
Total capital assets, being depreciated	2,735,235	168,046	(258,975)	2,644,306
Less accumulated depreciation for:				
Buildings	(682,735)	(26,259)	-	(708,994)
Equipment and books	(1,282,573)	(126,265)	258,975	(1,149,863)
Total accumulated depreciation	(1,965,308)	(152,524)	258,975	(1,858,857)
Total capital assets, being depreciated, net	769,927	15,522	-	785,449
Laurens County Library capital assets, net	\$ 803,627	\$ 15,522	\$ -	\$ 819,149

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,083,807	\$ 2,450,000	\$ (1,059,434)	\$ 10,474,373	\$ 1,071,447
Special source revenue bonds	2,678,613	-	(1,241,982)	1,436,631	1,436,631
Total bonds payable	11,762,420	2,450,000	(2,301,416)	11,911,004	2,508,078
Capital leases payable	2,395,716	-	(739,192)	1,656,524	512,912
Compensated absences	696,083	210,945	(327,253)	579,775	463,820
Net pension liability	22,525,638	2,865,963	(1,358,022)	24,033,579	-
Net OPEB obligation	7,276,724	1,121,250	(263,186)	8,134,788	-
Governmental activities long-term liabilities	\$ 44,656,581	\$ 6,648,158	\$ (4,989,069)	\$ 46,315,670	\$ 3,484,810

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, 2016, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 512,912	\$ 41,096	\$ 554,008
2018	372,196	27,564	399,760
2019	381,166	18,594	399,760
2020	390,250	9,407	399,657
	\$ 1,656,524	\$ 96,661	\$ 1,753,185

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.

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, Series 2015, \$2,450,000 Principal

During the fiscal year ended June 30, 2016, the County issued bonds in the amount of \$2,450,000. The bonds bear interest at 2.28% with final maturity in 2025. The proceeds from the sale of the bonds will be used for the purpose of (i) repairing and renovating existing fire stations of the District, (ii) constructing new fire stations and acquiring necessary accessories for the District, and (iii) 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds. (Continued)

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

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 1,071,447	\$ 292,542	\$ 1,363,989
2018	1,090,831	264,306	1,355,137
2019	1,129,038	235,728	1,364,766
2020	1,163,434	206,096	1,369,530
2021	1,207,023	174,160	1,381,183
2022-2025	4,812,600	352,910	5,165,510
	<u>\$ 10,474,373</u>	<u>\$ 1,525,742</u>	<u>\$ 12,000,115</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, 2016, are as follows:

	Interest Rates	Balance June 30, 2016
2010 Special Source Issue	4.85%	<u>\$ 1,436,631</u>

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

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

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

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 1,436,631	\$ 71,247	\$ 1,507,878

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2016:

	Governmental Activities
Equipment	\$ 4,435,049
Less: Accumulated depreciation	(1,774,942)
	\$ 2,660,107

The County recorded depreciation expense of \$369,591 in the fiscal year ended June 30, 2016 on assets under capital leases.

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2016:

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 512,912	\$ 41,096	\$ 554,008
2018	372,196	27,564	399,760
2019	381,166	18,594	399,760
2020	390,250	9,407	399,657
	\$ 1,656,524	\$ 96,661	\$ 1,753,185

B. Component Unit

Long-term liabilities for the Laurens County Library at June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Laurens County Library					
Capital leases payable	4,628	-	(854)	3,774	957
Net pension liability	-	1,315,885	(623,525)	692,360	-
Net OPEB obligation	-	306,211	(71,876)	234,335	-
	\$ 4,628	\$ 1,622,096	\$ (696,255)	\$ 930,469	\$ 957

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Fire Capital Reserve Fund	General Fund	\$ 2,631,905
General Fund	C Funds	43,040
Nonmajor Governmental Funds	General Fund	3,292,848
		\$ 5,967,793

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.

Interfund Transfers

Transfers Out	Transfers In		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 433,961	\$ 433,961
Nonmajor Governmental Funds	30,000	-	30,000
Total	\$ 30,000	\$ 433,961	\$ 463,961

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS

A. Retirement Plan

Overview

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

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

Membership

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Membership (Continued)

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

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

Benefits

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Benefits (Continued)

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

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

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

Contributions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Contributions (Continued)

Required employee contribution rates for the year ended June 30, 2016, are as follows:

SCRS

Employee class two	8.16% of earnable compensation
Employee class three	8.16% of earnable compensation

PORS

Employee class two	8.74% of earnable compensation
Employee class three	8.74% of earnable compensation

Required employer contribution rates for the year ended June 30, 2016, are as follows:

SCRS

Employer class two	10.91% of earnable compensation
Employer class three	10.91% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

PORS

Employer class two	13.34% of earnable compensation
Employer class three	13.34% of earnable compensation
Employer incidental death benefit	0.20% of earnable compensation
Employer accidental death program	0.20% of earnable compensation

Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the systems' consulting actuary, Gabriel, Roeder, Smith and Company.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Net Pension Liability (Continued)

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of June 30, 2015, the County's net pension liability amounts for SCRS and PORS are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 34,888,028	\$ 19,883,298	\$ 15,004,730	57.0%
PORS	\$ 27,436,737	\$ 17,715,528	\$ 9,721,209	64.6%

As of June 30, 2015, the change in the County's net pension liability for the SCRS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 588,779
Interest	2,490,643
Difference between actual and expected experience	(35,314)
Benefit payments	(2,140,521)
Net change in total pension liability	<u>903,587</u>
Total pension liability - beginning June 30, 2014	<u>33,984,441</u>
Total pension liability - ending June 30, 2015	<u>34,888,028</u>
Plan fiduciary net position	
Contributions - employer	808,944
Contributions - member	566,555
Refunds of contributions to members	(75,242)
Retirement benefits	(2,049,341)
Death benefits	(15,938)
Net investment income	296,014
Administrative expense	(9,932)
Net transfers to affiliated systems	(1,050)
Net change in Plan fiduciary net position	<u>(479,990)</u>
Plan fiduciary net position - beginning June 30, 2014	<u>20,363,288</u>
Plan fiduciary net position - ending June 30, 2015	<u>19,883,298</u>
Net pension liability	<u><u>\$ 15,004,730</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Net Pension Liability (Continued)

As of June 30, 2015, the change in the County's net pension liability for the PORS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 687,342
Interest	1,941,694
Difference between actual and expected experience	30,200
Benefit payments	(1,536,170)
Net change in total pension liability	<u>1,123,066</u>
Total pension liability - beginning June 30, 2014	<u>26,313,671</u>
Total pension liability - ending June 30, 2015	<u><u>27,436,737</u></u>
Plan fiduciary net position	
Contributions - employer	742,419
Contributions - member	476,655
Refunds of contributions to members	(77,846)
Retirement benefits	(1,441,801)
Death benefits	(16,523)
Net investment income	261,844
Administrative expense	(8,701)
Net transfers to affiliated systems	4,731
Net change in Plan fiduciary net position	<u>(59,222)</u>
Plan fiduciary net position - beginning June 30, 2014	<u>17,774,750</u>
Plan fiduciary net position - ending June 30, 2015	<u><u>17,715,528</u></u>
Net pension liability	<u><u>\$ 9,721,209</u></u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014 valuations for SCRS and PORS.

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core fixed income	7.0%	2.70%	0.19%
Mixed credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global fixed income	3.0%	2.80%	0.08%
Emerging markets debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge funds (low beta)	8.0%	4.30%	0.34%
Private debt	7.0%	9.90%	0.69%
Private equity	9.0%	9.90%	0.89%
Real estate (broad market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
		Total expected real return	6.00%
		Inflation for actuarial purposes	2.75%
		Total expected nominal return	8.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

Discount Rate (Continued)

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

Sensitivity of the Net Position Liability to Changes in the Discount Rate				
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)	
County's portion - SCRS	\$ 18,916,678	\$ 15,004,730	\$ 11,726,022	
County's portion - PORS	\$ 13,242,554	\$ 9,721,209	\$ 6,573,314	

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the County recognized pension expense of \$950,333 for the SCRS plan and \$814,648 for the PORS plan.

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 266,583	\$ 26,833
Net difference between projected and actual earnings on pension plan investments	100,434	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	-	336,111
County contributions subsequent to the measurement date	807,823	-
Total	\$ 1,174,840	\$ 362,944

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

A. Retirement Plan (Continued)

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

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,675	\$ -
Net difference between projected and actual earnings on pension plan investments	106,366	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	44,533	-
County contributions subsequent to the measurement date	728,635	-
Total	<u>\$ 1,072,209</u>	<u>\$ -</u>

County contributions subsequent to the measurement date of \$807,823 and \$728,635 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	SCRS	PORS
2017	\$ (271,873)	\$ 74,762
2018	64,238	30,231
2019	(27,329)	21,722
2020	239,037	216,859

Pension Plan Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

B. Deferred Compensation Plan

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

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

NOTE 10. OTHER POST-EMPLOYMENT 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 POST-EMPLOYMENT 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	\$ 1,403,390
Interest on net OPEB obligation	327,449
Adjustment to annual required contribution	<u>(303,378)</u>
Annual OPEB cost	1,427,461
Employer and retiree contributions for period ended June 30, 2016	<u>335,062</u>
Increase in net OPEB obligation	1,092,399
Net OPEB obligation beginning of year	<u>7,276,724</u>
Net OPEB obligation end of year	<u><u>\$ 8,369,123</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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>
06/30/12	\$ 1,560,737	\$ 296,072	19.0 %	\$ 3,997,248
06/30/13	1,503,931	234,122	15.6	5,267,057
06/30/14	1,346,241	233,164	17.3	6,380,134
06/30/15	1,389,390	492,800	35.5	7,276,724
06/30/16	1,427,461	335,062	23.5	8,369,123

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy and Annual OPEB Costs (Continued)

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

Schedule of Funding Progress

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

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

Actuarial Methods and Assumptions

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

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

NOTES TO FINANCIAL STATEMENTS

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, 2016, the County had outstanding construction commitments totaling approximately \$51,000.

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, 2016, 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, 2016, the Victims' Assistance Fund has a deficit fund balance of \$205,612 and the Special Source Revenue Bond Fund has a deficit fund balance of \$128,690. These deficits are expected to be reduced through transfers from the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

LAURENS COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30

South Carolina Retirement System	2016	2015
County's proportion of the net pension liability	0.079116%	0.081547%
County's proportionate share of the net pension liability	\$ 15,004,730	\$ 14,039,690
County's covered-employee payroll	\$ 7,404,426	\$ 7,418,056
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.6%	189.3%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.9%
 South Carolina Police Officers Retirement System	 2016	 2015
County's proportion of the net pension liability	0.44603%	0.44326%
County's proportionate share of the net pension liability	\$ 9,721,209	\$ 8,485,948
County's covered-employee payroll	\$ 5,462,034	\$ 5,525,694
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.0%	153.6%
Plan fiduciary net position as a percentage of the total pension liability	64.6%	67.5%

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

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

LAURENS COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF COUNTY CONTRIBUTIONS FOR THE FISCAL YEAR END JUNE 30

South Carolina Retirement System	2016	2015
Actuarially determined contribution	\$ 755,187	\$ 784,756
Contributions in relation to the actuarially determined contribution	<u>755,187</u>	<u>784,756</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	7,404,426	7,418,056
Contributions as a percentage of covered-employee payroll	10.20%	10.58%
South Carolina Police Officers Retirement System	2016	2015
Actuarially determined contribution	\$ 678,396	\$ 684,542
Contributions in relation to the actuarially determined contribution	<u>678,396</u>	<u>684,542</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	5,462,034	5,525,694
Contributions as a percentage of covered-employee payroll	12.42%	12.39%

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

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

LAURENS COUNTY, SOUTH CAROLINA

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

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
7/1/2014	-	12,604,917	12,604,917	-	11,761,601	107.17

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

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

LAURENS COUNTY, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

DEBT SERVICE FUND

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

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

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

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

LAURENS COUNTY, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

LAURENS COUNTY, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

ASSETS	Special Revenue Funds				
	Community Development	Victims Assistance	Rural Fire	Fire Coordinator	Special District
Cash and cash equivalents	\$ 1,013	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	72,448	8,999	-
Due from other funds	-	-	789,270	186,575	807,169
Total assets	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 861,718</u>	<u>\$ 195,574</u>	<u>\$ 807,169</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 541	\$ 26,283	\$ 3,372	\$ -
Total liabilities	<u>-</u>	<u>541</u>	<u>26,283</u>	<u>3,372</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	-	-	64,963	8,070	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>64,963</u>	<u>8,070</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Debt service	-	-	-	-	-
Public safety	1,013	-	770,472	184,132	807,169
Capital outlay	-	-	-	-	-
Unassigned (deficit)	-	(541)	-	-	-
Total fund balances	<u>1,013</u>	<u>(541)</u>	<u>770,472</u>	<u>184,132</u>	<u>807,169</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 861,718</u>	<u>\$ 195,574</u>	<u>\$ 807,169</u>

Debt Service Funds			Capital Projects Funds			
Laurens Rural Fire Department	Special Source Revenue Bond	General Obligation Bond	Hillcrest Square	Detention Center	Economic Development Grant	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013
6,778	-	42,062	-	-	-	130,287
52,761	552	991,590	334,569	-	130,362	3,292,848
<u>\$ 59,539</u>	<u>\$ 552</u>	<u>\$ 1,033,652</u>	<u>\$ 334,569</u>	<u>\$ -</u>	<u>\$ 130,362</u>	<u>\$ 3,424,148</u>
\$ -	\$ -	\$ -	\$ 64,688	\$ -	\$ -	\$ 94,884
-	-	-	64,688	-	-	94,884
5,838	-	39,178	-	-	-	118,049
<u>5,838</u>	<u>-</u>	<u>39,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,049</u>
53,701	-	994,474	-	-	-	1,048,175
-	-	-	-	-	-	1,762,786
-	-	-	269,881	-	130,362	400,243
-	552	-	-	-	-	11
<u>53,701</u>	<u>552</u>	<u>994,474</u>	<u>269,881</u>	<u>-</u>	<u>130,362</u>	<u>3,211,215</u>
<u>\$ 59,539</u>	<u>\$ 552</u>	<u>\$ 1,033,652</u>	<u>\$ 334,569</u>	<u>\$ -</u>	<u>\$ 130,362</u>	<u>\$ 3,424,148</u>

LAURENS COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Community Development	Victims Assistance	Rural Fire	Fire Coordinator	Special District
Revenues:					
Property taxes	\$ -	\$ -	\$ 2,410,889	\$ 299,462	\$ 201,591
Intergovernmental	248,118	-	524	896	-
Fines and forfeitures	-	70,767	-	-	-
Interest income	-	49	-	-	4,797
Other revenues	-	-	-	3,470	303,000
Total revenues	<u>248,118</u>	<u>70,816</u>	<u>2,411,413</u>	<u>303,828</u>	<u>509,388</u>
Expenditures:					
Current:					
Public safety	-	172,469	2,052,602	304,664	-
Housing and development	247,105	-	-	-	15,000
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	135,825	-
Interest	-	-	-	17,175	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>247,105</u>	<u>172,469</u>	<u>2,052,602</u>	<u>457,664</u>	<u>15,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,013</u>	<u>(101,653)</u>	<u>358,811</u>	<u>(153,836)</u>	<u>494,388</u>
Other financing sources (uses):					
Transfers in	-	205,071	-	-	-
Transfers out	-	-	-	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>205,071</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	1,013	103,418	358,811	(183,836)	494,388
Fund balances (deficits), beginning of year	<u>-</u>	<u>(103,959)</u>	<u>411,661</u>	<u>367,968</u>	<u>312,781</u>
Fund balances (deficits), end of year	<u>\$ 1,013</u>	<u>\$ (541)</u>	<u>\$ 770,472</u>	<u>\$ 184,132</u>	<u>\$ 807,169</u>

Debt Service Funds			Capital Projects Funds				Totals
Laurens Rural Fire Department	Special Source Revenue Bond	General Obligation Bond	Hillcrest Square	Detention Center	Economic Development Grant		
\$ -	\$ 68,281	\$ 1,100,722	\$ -	\$ -	\$ -	\$ 4,080,945	
-	-	-	-	-	1,300,000	1,549,538	
-	-	-	-	-	-	70,767	
252,271	-	4,737	4,227	-	-	266,081	
-	-	-	-	-	-	306,470	
<u>252,271</u>	<u>68,281</u>	<u>1,105,459</u>	<u>4,227</u>	<u>-</u>	<u>1,300,000</u>	<u>6,273,801</u>	
-	-	-	-	-	-	2,529,735	
-	72,962	-	-	-	-	335,067	
-	-	-	1,468,095	-	1,300,000	2,768,095	
240,000	-	819,433	-	-	-	1,195,258	
35,068	-	261,755	-	-	-	313,998	
-	-	220	-	-	-	220	
<u>275,068</u>	<u>72,962</u>	<u>1,081,408</u>	<u>1,468,095</u>	<u>-</u>	<u>1,300,000</u>	<u>7,142,373</u>	
<u>(22,797)</u>	<u>(4,681)</u>	<u>24,051</u>	<u>(1,463,868)</u>	<u>-</u>	<u>-</u>	<u>(868,572)</u>	
-	129,242	48,181	-	51,467	-	433,961	
-	-	-	-	-	-	(30,000)	
-	<u>129,242</u>	<u>48,181</u>	<u>-</u>	<u>51,467</u>	<u>-</u>	<u>403,961</u>	
(22,797)	124,561	72,232	(1,463,868)	51,467	-	(464,611)	
<u>76,498</u>	<u>(124,009)</u>	<u>922,242</u>	<u>1,733,749</u>	<u>(51,467)</u>	<u>130,362</u>	<u>3,675,826</u>	
<u>\$ 53,701</u>	<u>\$ 552</u>	<u>\$ 994,474</u>	<u>\$ 269,881</u>	<u>\$ -</u>	<u>\$ 130,362</u>	<u>\$ 3,211,215</u>	

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, 2016

ASSETS	<u>Treasurer</u>	<u>Clerk of Courts</u>	<u>Total</u>
Cash	\$ 24,146,500	\$ 420,906	\$ 24,567,406
Taxes receivable	<u>1,567,101</u>	<u>-</u>	<u>1,567,101</u>
Total assets	<u>\$ 25,713,601</u>	<u>\$ 420,906</u>	<u>\$ 26,134,507</u>
LIABILITIES			
Due to others	\$ 24,146,500	\$ 420,906	\$ 24,567,406
Uncollected taxes	<u>1,567,101</u>	<u>-</u>	<u>1,567,101</u>
Total liabilities	<u>\$ 25,713,601</u>	<u>\$ 420,906</u>	<u>\$ 26,134,507</u>

LAURENS COUNTY, SOUTH CAROLINA

SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES VICTIMS' ASSISTANCE FUNDS JUNE 30, 2016

Court fines	
Court fines collected	\$ 1,316,887
Court fines retained by County	<u>993,226</u>
Court fines remitted to State Treasurer	<u>\$ 323,661</u>
Court assessments	
Court assessments collected	\$ 348,667
Court assessments retained by County	<u>31,630</u>
Court assessments remitted to State Treasurer	<u>\$ 317,037</u>
Court surcharges	
Court surcharges collected	\$ 260,514
Court surcharges retained by County	<u>39,004</u>
Court fines remitted to State Treasurer	<u>\$ 221,510</u>
Victims' assistance	
Court assessments allocated to victims' assistance	\$ 42,250
Court surcharges allocated to victims' assistance	39,850
Intergovernmental funds	37,542
Local funds	<u>48,711</u>
Funds allocated to victims' assistance	168,353
Victims' assistance expenditures	<u>(168,353)</u>
Funds available for carryforward	-
Funds carried forward from prior year	-
Funds available for carryforward to subsequent year	<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, 2016, 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 28, 2016.

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 significant deficiencies. However, significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 28, 2016

LAURENS COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

There was not an audit of major award programs as of June 30, 2016 due to the total amount expended being less than \$750,000.

LAURENS COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016-001. Library – Discretely Presented Component Unit

Criteria: Governmental funds should maintain their accounting records using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues should be 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.

Condition: The Library did not appropriately record all transactions during the year ended June 30, 2016 due to the fact that the Library followed cash basis principles throughout the fiscal year.

Context/Cause: During our testing of the Library's account balances, numerous audit adjustments were required to correct various account balances.

Effect: The following audit adjustments were required for the Library as of June 30, 2016:

- \$20,176 increase to cash
- \$36,686 increase to prepaid expenses
- \$10,576 increase to accounts payable
- \$6,689 decrease to expenses
- \$39,597 increase to fund balance

Recommendation: We recommend the Library maintain their accounting records using the *current financial resources measurement focus* and *the modified accrual basis of accounting*.

Views of Responsible Officials and Planned Corrective Action: We concur. We will take appropriate measures to maintain our records using the *current financial resources measurement focus* and *the modified accrual basis of accounting*.

LAURENS COUNTY, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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, 2016**

None reported.