

**MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018**

**MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-11
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Position	A	12
Statement of Activities	B	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	17
Statement of Fiduciary Net Position	G	18
Statement of Changes in Fiduciary Net Position – Trust Funds	H	19
Notes to the Financial Statements		20-47

MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018
(Continued)

SUPPLEMENTAL INFORMATION:

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	48-54
Required Supplemental Information - Budgetary Comparison Schedule	55
Required Supplemental Information – Schedule of Changes in the Net OPEB Liability	56
Required Supplemental Information – Schedule of the County’s Proportionate Share of the Net Pension Liability	57
Required Supplemental Information – Schedule of County Contributions	58
Notes to Required Supplemental Information	59

Special Revenue Funds

Combining Balance Sheet	60-61
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	62-63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Library Operations	64
Schedule of Fines and Assessments	65

Debt Service Fund

Balance Sheet	66
Schedule of Revenues, Expenditures and Changes in Fund Balance	67

Capital Projects Fund

Balance Sheet - Capital Projects Fund	68
Schedule of Revenues, Expenditures and Changes in Fund Balance Capital Projects Fund	69

MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018
(Continued)

Fiduciary Funds

Combining Balance Sheet	70
Schedule of Changes in Assets and Liabilities – All Agency Funds	71
Combining Balance Sheet – All Trust Funds	72

COMPLIANCE SECTION:

Schedule of Expenditures of Federal Awards	73
Notes to Schedule of Expenditures of Federal Awards	74
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75-76
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	77-78
Schedule of Findings and Questioned Costs	79-80
Summary Schedule of Prior Audit Findings	81

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29201

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD
SHANE E. KIRKLEY, CPA
B. KEACH JORDAN, CPA

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S
SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424
FAX
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

February 22, 2019

MARC A. QUIGLEY, CPA
REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
CHRISTOPHER H. HARRELL
JOHN F. MARTIN
JOHN C. BOYKIN, III

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the County Council
Marlboro County
Bennettsville, South Carolina

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Marlboro County, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 judgement, 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 statement 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 evaluation 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Marlboro County, South Carolina, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4 through 11 and 55, and the schedules of funding progress and employer contributions, schedule of County's proportionate share of net pension liability, schedule of the County's contributions and schedule of changes in the Net OPEB liability on pages 56-59 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 Marlboro County, South Carolina's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements 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 February 22, 2019, on our consideration of Marlboro 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 Marlboro County, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

This section presents our discussion and analysis of Marlboro County, South Carolina's financial performance during the fiscal year that ended June 30, 2018. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Please read it in conjunction with the basic financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of Marlboro County exceeded its liabilities at the close of the most recent fiscal year by \$13,212,660. Of this amount, \$1,899,909 was restricted, \$15,226,573 was net investment in capital assets, and the remaining resulted in a negative unrestricted net position in the amount of \$3,913,822. As of the close of the fiscal year, Marlboro County's governmental funds reported ending fund balances of \$10,764,093. At the end of the fiscal year, the unassigned fund balance was \$4,404,975.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The government-wide financial statements provide both long-term and short-term information about the County's overall financial status.

The fund financial statements focus on individual parts of the County's government. These statements report the County's operations in more detail than the government-wide statements. The General Fund statements show how general government services such as public safety was financed in the short term as well as what remains for future spending. The Fiduciary Fund statements provide information about financial relationships such as the revenues and expenditures of the solicitor's fund where the County acts solely as a trustee or agent for those to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplemental schedules that further explains and supports the information in the financial statements.

Table 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 section explains the structure and contents of each of the statements.

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Table 1. Major Features of Marlboro County's Government-wide and Fund Financial Statements

	Government-wide <u>Statements</u>	<u>Fund Statements</u>	
		<u>Government Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net position, Statement or changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter.	All assets and liabilities, both short and long-term
Type of inflow/ outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Government-Wide Statements

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

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the fiscal year. The cause of such change may be the result of many factors including financial and non-financial.

The government-wide financial statements of the County consist solely of governmental activities. Marlboro County does not currently operate any business-type activities which would be reported separately. Most of the County's basic services are included here, such as public safety, parks and recreation, and general administration. Property taxes and state and federal grants finance most of these activities.

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

The County has two kinds of funds:

Governmental funds: Most of the County's basic services are included in governmental funds. These funds 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 is the trustee, or fiduciary, for the Solicitor's fund. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position: The County's net position at the end of the current fiscal year was \$13,212,660 as summarized and compared to fiscal year 2017 in Table 2 below. Of the net position and net expenses of governmental type activities, the net position from governmental activities make up 100% of total net position. Table 3, on the following page summarizes the County's changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2. Marlboro County's Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 12,276,303	\$ 11,794,209	\$ 482,094
Capital Assets	<u>18,465,085</u>	<u>18,457,247</u>	<u>7,838</u>
Total Assets	<u>30,741,388</u>	<u>30,251,456</u>	<u>489,932</u>
Deferred Outflows			
OPEB Cost	66,344	-	66,344
Pension Cost	<u>1,868,361</u>	<u>1,373,925</u>	<u>494,436</u>
Total Deferred Outflows	<u>1,934,705</u>	<u>1,373,925</u>	<u>560,780</u>
Liabilities			
Other Liabilities	324,240	421,367	(97,127)
Long-Term Debt Outstanding	<u>18,424,607</u>	<u>16,324,162</u>	<u>2,100,445</u>
Total Liabilities	<u>18,748,847</u>	<u>16,745,529</u>	<u>2,003,318</u>
Deferred Inflows			
Property Tax Credits	419,955	460,042	(40,087)
OPEB Cost	47,576	-	47,576
Pension Cost	<u>247,055</u>	<u>247,066</u>	<u>(11)</u>
Total Deferred Inflows	<u>714,586</u>	<u>707,108</u>	<u>7,478</u>
Net Position			
Net Investment in Capital Assets	15,226,573	15,471,972	(245,399)
Restricted	1,899,909	1,523,620	376,289
Unrestricted	<u>(3,913,822)</u>	<u>(2,822,848)</u>	<u>(1,090,974)</u>
Total Net Position	<u>\$ 13,212,660</u>	<u>\$ 14,172,744</u>	<u>\$ (960,084)</u>

MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)

The net position of the County decreased by less than 7 percent during the year (\$14.17 million compared to \$13.21 million). Unrestricted net position increased from negative \$2.8 million at the beginning of the year to negative \$3.9 million at the end of the year, due to the increase in deferred inflows.

Table 3. Marlboro County's Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program Services:			
Charges for Services	\$ 2,166,450	\$ 1,938,701	\$ 227,749
Operating Grants	407,634	768,775	(361,141)
Capital Grants	<u>813,711</u>	<u>28,898</u>	<u>784,813</u>
Total Program Services	<u>3,387,795</u>	<u>2,736,374</u>	<u>651,421</u>
General Revenues:			
Taxes	9,553,968	9,509,289	44,679
Miscellaneous	243,330	441,472	(198,142)
Intergovernmental Revenue	1,506,436	1,559,201	(52,765)
Investment Earnings	6,374	3,907	2,467
Gain on Disposition of Capital Assets	<u>66,832</u>	<u>3,999</u>	<u>62,833</u>
Total General Revenues	<u>11,376,940</u>	<u>11,517,868</u>	<u>(140,928)</u>
Total Revenues	<u>14,764,735</u>	<u>14,254,242</u>	<u>510,493</u>
Expenses:			
General Government	6,561,668	6,335,499	226,169
Public Safety	4,887,520	4,839,362	48,158
Public Services	1,181,675	1,334,417	(152,742)
Culture and Recreation	440,240	643,502	(203,262)
Health and Environment	1,085,126	936,131	148,995
Economic Development	115,185	303,770	(188,585)
Other Objects	-	109,292	(109,292)
Capital Outlay	595,472	168,254	427,218
Interest and Other Charges	<u>73,106</u>	<u>75,295</u>	<u>(2,189)</u>
Total Expenses	<u>14,939,992</u>	<u>14,745,522</u>	<u>194,470</u>
Change in Net Position	(175,257)	(491,280)	316,023
Net Position, Beginning of Year, as Restated	<u>13,387,917</u>	<u>14,664,024</u>	<u>(1,276,107)</u>
Net Position, End of Year	<u>\$ 13,212,660</u>	<u>\$ 14,172,744</u>	<u>\$ (960,084)</u>

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Governmental Activities

Governmental activities decreased the County's net position by \$175,257. This decrease is due in part to the County's increase in expenses including, General Government and Public Safety, which exceeded the increase in revenues for the year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds: As of the end of the fiscal year, governmental funds had a fund balance of \$10,764,093 which is an increase of \$702,359 over last year. Of this balance, the general fund makes up \$5,449,155 or roughly 51%. The general fund is the main operating fund for the County. Special revenue funds make up \$5,314,938 of the governmental fund balance. The special revenue funds are funds that are setup to account for specific revenues that are legally restricted or assigned to expenditures for a particular purpose.

General Fund Budgetary Highlights

The budget presented in the financial statements is the original budget adopted by County Council. There were no amendments to the original budget during the current year, which explains the large variances for both the revenues and expenditures.

Actual revenues were \$732,349 under the budgeted amount. Actual expenses for the general fund were \$904,259 under budget, and other financing sources were \$215,060 under budget. The change in fund balance is a decrease of \$43,150.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, Marlboro County had invested \$18,465,085 (net of accumulated depreciation) in a broad range of capital assets, including police and fire equipment, buildings, land and park facilities. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

This year's major capital asset additions included various equipment purchases and infrastructure improvements that were begun and not completed during the year.

The County's capital assets as summarized in Table 4 below are purchased through a variety of sources including general obligation debt, lease purchases and property taxes.

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Table 4. Marlboro County's Capital Assets

	2018	2017
Land	\$ 1,752,738	\$ 1,752,738
Construction in Process	1,094,825	178,569
Buildings and Improvements	27,635,084	27,635,084
Infrastructure	7,318,520	7,318,520
Equipment	6,436,451	6,126,758
Accumulated Depreciation	(25,772,533)	(24,554,422)
 Total Net Capital Assets	 \$ 18,465,085	 \$ 18,457,247

Long-term Debt

At year-end, the County had \$17,924,750 in bonds, capital leases, compensated absences, net OPEB obligation outstanding, post-closure cost and Net Pension Liability - as shown in Table 5 below. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements. All of the \$2,336,000 in general obligation bond debt is backed by the full faith and credit of the County.

Limitations on Debt

The state limits the amount of general obligation debt the County can issue at an amount not to exceed (8) eight percent of the assessed value of all taxable property within the County. The current debt limitation for the County is \$5,715,062, which means that the County was \$2,931,101 under the debt ceiling.

Table 5. Marlboro County's Outstanding Debt

	2018	2017
General Obligation Bonds	\$ 2,783,961	\$ 2,336,000
Capital Leases	454,551	649,275
Compensated Absences	311,425	302,903
Post-Closure Costs	33,000	44,000
Net OPEB Obligation	907,867	186,360
Net Pension Liability	13,433,946	12,329,225
 Total	 \$ 17,924,750	 \$ 15,847,763

**MARLBORO COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

NEXT YEAR'S BUDGETS

The 2018-2019 budget for Marlboro County's expenditures is \$11,347,070. This budget contains a provision that would require an appropriation from the available fund balance of \$320,150.

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 the Marlboro County Finance Office, Post Office Box 419, Bennettsville, South Carolina 29512.

MARLBORO COUNTY, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2018

	Governmental Activities	Component Unit - Library Board
Assets		
Cash and Cash Equivalents	\$ 10,536,867	\$ 61,690
Taxes Receivable, Net	422,357	-
Other Receivables	1,015,626	-
Due from Trust Funds	207,253	-
Prepaid Expenses	94,200	-
Capital Assets:		
Land	1,752,738	-
Construction in Progress	1,094,825	-
Buildings and Improvements	27,635,084	-
Equipment	6,436,451	-
Infrastructure	7,318,520	-
Less: Accumulated Depreciation	<u>(25,772,533)</u>	<u>-</u>
Total Capital Assets, Net of Depreciation	<u>18,465,085</u>	<u>-</u>
Deferred Outflows of Resources		
Prepaid OPEB Cost	66,344	-
Prepaid Pension Cost	<u>1,868,361</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,934,705</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 32,676,093</u>	<u>\$ 61,690</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 297,620	\$ -
Accrued Interest Payable	26,619	-
Due to Other Governments	499,858	-
Long-Term Liabilities:		
Due Within One Year:		
General Obligation Bonds	322,499	-
Capital Lease	158,198	-
Compensated Absences	50,536	-
Due in More Than One Year:		
General Obligation Bonds	2,461,461	-
Capital Lease	296,354	-
Compensated Absences	260,889	-
Net Pension Liability	13,433,946	-
Net OPEB Obligation	907,867	-
Closure and Post Closure Costs	<u>33,000</u>	<u>-</u>
Total Liabilities	<u>18,748,847</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenues - Property Tax Credit	419,955	-
Unavailable Revenues - OPEB	47,576	-
Unavailable Revenues - Pension	<u>247,055</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>714,586</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>19,463,433</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	15,226,573	-
Restricted for:		
Debt Service	491,793	-
Capital Projects	589,655	-
Special Projects	781,260	-
Victims Assistance	37,201	-
Unrestricted	<u>(3,913,822)</u>	<u>61,690</u>
Total Net Position	<u>\$ 13,212,660</u>	<u>\$ 61,690</u>

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

EXHIBIT B

**MARLBORO COUNTY, SOUTH CAROLINA
STATEMENT ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Component Unit - Library Board
Governmental Activities						
General Government	\$ 6,561,668	\$ 838,158	\$ 367,700	\$ 718,537	\$ (4,637,273)	\$ -
Public Safety	4,887,520	95,703	17,489	32,854	(4,741,474)	-
Public Services	1,181,675	978,289	22,445	-	(180,941)	-
Culture and Recreation	440,240	254,300	-	62,320	(123,620)	-
Health and Environment	1,085,126	-	-	-	(1,085,126)	-
Economic Development	115,185	-	-	-	(115,185)	-
Capital Outlay	595,472	-	-	-	(595,472)	-
Interest and Other Charges	73,106	-	-	-	(73,106)	-
Total Governmental Activities	<u>14,939,992</u>	<u>2,166,450</u>	<u>407,634</u>	<u>813,711</u>	<u>(11,552,197)</u>	<u>-</u>
Total Component Unit	<u>\$ 8,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(11,552,197)</u>	<u>(8,662)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					4,752,749	-
Property Taxes, Levied for Debt Service					271,795	-
Public Service Taxes					925,106	-
Sales and Use Tax					1,099,259	-
Payments in Lieu of Taxes					2,505,059	-
Miscellaneous					243,330	8,973
Unrestricted Investment Earnings					6,374	-
Intergovernmental Revenues					1,506,436	-
Gain on Disposition of Capital Assets					66,832	-
Total General Revenues					<u>11,376,940</u>	<u>8,973</u>
Change in Net Position					(175,257)	311
Net Position, Beginning of Year, as Restated					<u>13,387,917</u>	<u>61,379</u>
Net Position, End of Year					<u>\$ 13,212,660</u>	<u>\$ 61,690</u>

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

MARLBORO COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Economic Development Fund	Railroad Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 5,171,103	\$ 1,628,461	\$ 1,735,771	\$ 1,823,862	\$ 10,359,197
Pooled Cash	-	-	-	177,670	177,670
Receivables:					
Property Taxes, Net	307,986	-	-	114,371	422,357
Intergovernmental	1,012,945	-	-	-	1,012,945
Other	2,681	-	-	-	2,681
Prepaid Expenses	94,200	-	-	-	94,200
Due From Other Funds	307,472	-	-	6,969	314,441
Total Assets	<u>\$ 6,896,387</u>	<u>\$ 1,628,461</u>	<u>\$ 1,735,771</u>	<u>\$ 2,122,872</u>	<u>\$ 12,383,491</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 297,620	\$ -	\$ -	\$ -	\$ 297,620
Compensated Absences	50,536	-	-	-	50,536
Due to Other Governments	499,858	-	-	-	499,858
Due to Other Funds	-	-	84,315	22,875	107,190
Total Liabilities	<u>848,014</u>	<u>-</u>	<u>84,315</u>	<u>22,875</u>	<u>955,204</u>
Deferred Inflows					
Unavailable Revenues - Property Tax Credit	419,955	-	-	-	419,955
Unavailable Revenues - Property Taxes	179,263	-	-	64,976	244,239
Total Deferred Inflows	<u>599,218</u>	<u>-</u>	<u>-</u>	<u>64,976</u>	<u>664,194</u>
Fund Balances					
Nonspendable for Prepays	94,200	-	-	-	94,200
Restricted for:					
Debt Service	168,720	-	-	323,073	491,793
Capital Projects	-	-	-	589,655	589,655
Special Projects	781,260	-	-	-	781,260
Victims Assistance	-	-	-	37,860	37,860
Assigned	-	1,628,461	1,651,456	1,084,433	4,364,350
Unassigned	4,404,975	-	-	-	4,404,975
Total Fund Balances	<u>5,449,155</u>	<u>1,628,461</u>	<u>1,651,456</u>	<u>2,035,021</u>	<u>10,764,093</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,896,387</u>	<u>\$ 1,628,461</u>	<u>\$ 1,735,771</u>	<u>\$ 2,122,872</u>	<u>\$ 12,383,491</u>

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

MARLBORO COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds (Exhibit C) \$ 10,764,093

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

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

Property Taxes 244,239

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$44,237,618 and the accumulated depreciation is \$25,772,533

18,465,085

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

(907,867)

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

(26,617)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Pension liability (13,433,946)

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

Deferred outflows of resources related to penions (from pension schedule)	1,868,361
Deferred outflows of resources related to OPEB	66,344
Deferred inflows of resources related to pensions (from pension schedule)	(247,055)
Deferred inflows of resources related to OPEB	(47,576)

Long-term liabilities, including debt premiums and deferred refunding charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(2,461,461)
General Obligation Bonds- Current	(322,499)
Capital Lease	(296,354)
Capital Lease - Current	(158,198)
Compensated Absences	(260,889)
Closure and Post Closure Costs	<u>(33,000)</u>

Total Net Position - Governmental Activities (Exhibit A) \$ 13,212,660

MARLBORO COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	Economic Development Fund	Railroad Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 7,040,399	\$ 516,748	\$ -	\$ 2,110,375	\$ 9,667,522
Licenses, Permits and Fees	1,788,744	-	-	4,331	1,793,075
Intergovernmental Revenues	1,308,192	-	-	198,243	1,506,435
Charges for Services	1,400	-	-	-	1,400
Fines and Forfeits	-	-	-	19,902	19,902
Miscellaneous	<u>1,500,152</u>	<u>1,366</u>	<u>324,287</u>	<u>30,060</u>	<u>1,855,865</u>
 Total Revenues	 <u>11,638,887</u>	 <u>518,114</u>	 <u>324,287</u>	 <u>2,362,911</u>	 <u>14,844,199</u>
Expenditures					
Current:					
General Government	5,389,796	-	-	173,327	5,563,123
Public Safety	3,708,110	-	-	595,462	4,303,572
Public Services	988,363	-	91,810	-	1,080,173
Culture and Recreation	398,144	-	-	-	398,144
Health and Environment	193,824	-	-	791,500	985,324
Economic Development	94,602	9,472	-	-	104,074
Other Objects	39,980	-	-	-	39,980
Capital Outlay	1,354,181	-	83,083	488,717	1,925,981
Debt Service:					
Principal	136,975	-	-	339,808	476,783
Interest and Other Charges	<u>12,152</u>	<u>-</u>	<u>-</u>	<u>56,624</u>	<u>68,776</u>
 Total Expenditures	 <u>12,316,127</u>	 <u>9,472</u>	 <u>174,893</u>	 <u>2,445,438</u>	 <u>14,945,930</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>(677,240)</u>	<u>508,642</u>	<u>149,394</u>	<u>(82,527)</u>	<u>(101,731)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	34,090	-	-	-	34,090
Transfer Out	-	(150,000)	(400,000)	(50,000)	(600,000)
Bond Proceeds	-	-	-	770,000	770,000
Transfer In	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
 Total Other Financing Sources (Uses)	 <u>634,090</u>	 <u>(150,000)</u>	 <u>(400,000)</u>	 <u>720,000</u>	 <u>804,090</u>
Net Change in Fund Balances	(43,150)	358,642	(250,606)	637,473	702,359
Fund Balances, Beginning of Year	<u>5,492,305</u>	<u>1,269,819</u>	<u>1,902,062</u>	<u>1,397,548</u>	<u>10,061,734</u>
Fund Balances, End of Year	<u>\$ 5,449,155</u>	<u>\$ 1,628,461</u>	<u>\$ 1,651,456</u>	<u>\$ 2,035,021</u>	<u>\$ 10,764,093</u>

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

MARLBORO 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, 2018

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	\$	702,359
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,330,509 exceeds depreciation expense of \$1,322,671.		7,838
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position		(770,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		322,039
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		194,724
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue decreased in the current year.		(113,556)
In the Statement of Activities, certain operating expenses -compensated absences- are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amount of vacation earned exceeded the vacation used.		2,753
In the Statement of Activities, an amount is expensed for closure and post-closure costs. Such costs are not accrued in the governmental funds.		11,000
The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan, is not reported as a liability in the governmental funds. This amount represents the net change in this liability during the current year.		82,088
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased in the current year.		(4,328)
Governmental funds report town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
County pension contributions	\$	610,856
Cost of benefits earned net of employee contributions (pension expense from SCRS benefit schedule)		(1,221,030)
		(610,174)
Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>(175,257)</u>

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

**MARLBORO COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION – FIDUCIARY FUND
June 30, 2018**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 5,249,014	\$ 1,366,579
Taxes Receivable, Net	<u>1,022,789</u>	<u>-</u>
Total Assets	<u>\$ 6,271,803</u>	<u>\$ 1,366,579</u>
Liabilities		
Due to Other Taxing Authorities	\$ 5,249,014	\$ -
Due to General Fund	<u>-</u>	<u>211,407</u>
Total Liabilities	<u>5,249,014</u>	<u>211,407</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>1,022,789</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>1,155,172</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,366,579</u>

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

MARLBORO COUNTY, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Solicitors</u>	<u>County Treasurer</u>	<u>Detention Center</u>	<u>Land Sale</u>	<u>Magistrate</u>	<u>Clerk/ Family Court</u>	<u>Sheriff Drug Trust</u>	<u>Total</u>
Additions								
Inmate Deposits	\$ -	\$ -	\$ 81,246	\$ -	\$ -	\$ -	\$ -	\$ 81,246
Bonds, Fines and Fees	-	1,919,174	-	-	360,938	3,629,666	-	5,909,778
Escrow Funds	-	-	-	1,086,171	-	-	-	1,086,171
Seizures	-	-	-	-	-	-	17,443	17,443
Solicitors Allocation	1,897,295	-	-	-	-	-	-	1,897,295
Total Additions	<u>1,897,295</u>	<u>1,919,174</u>	<u>81,246</u>	<u>1,086,171</u>	<u>360,938</u>	<u>3,629,666</u>	<u>17,443</u>	<u>8,991,933</u>
Deductions								
Inmate Withdrawals	-	-	68,694	-	-	-	-	68,694
Disbursement of Sales Proceeds	-	-	-	865,162	-	-	-	865,162
Disbursement of Bonds, Fines and Fees	-	1,919,534	-	-	350,810	3,609,973	-	5,880,317
Disbursement of Escrow Funds	-	-	-	-	-	-	13,818	13,818
Solicitors Salaries and Fringe	1,750,887	-	-	-	-	-	-	1,750,887
Total Deductions	<u>1,750,887</u>	<u>1,919,534</u>	<u>68,694</u>	<u>865,162</u>	<u>350,810</u>	<u>3,609,973</u>	<u>13,818</u>	<u>8,578,878</u>
Change to Fiduciary Net Position	146,408	(360)	12,552	221,009	10,128	19,693	3,625	413,055
Net Position, Beginning of Year	<u>(198,466)</u>	<u>1,612</u>	<u>33,061</u>	<u>571,732</u>	<u>65,204</u>	<u>249,138</u>	<u>19,836</u>	<u>742,117</u>
Net Position, End of Year	<u>\$ (52,058)</u>	<u>\$ 1,252</u>	<u>\$ 45,613</u>	<u>\$ 792,741</u>	<u>\$ 75,332</u>	<u>\$ 268,831</u>	<u>\$ 23,461</u>	<u>\$ 1,155,172</u>

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

Marlboro County, South Carolina, operates under the Council Administrator form of government as provided by the Home Rule Act of 1975. The County provides the following services: general administrative services, public safety, health and social services, planning and zoning, culture and recreation, unpaved road maintenance and public improvements.

The financial statements of Marlboro County have been prepared in conformity with accounting principles generally accepted in the United States of America, (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the County's accounting policies.

A. Reporting Entity

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

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

Based on the aforementioned criteria Marlboro County has one component unit.

Discretely Presented Component Unit: The Library Board Foundation is a discretely presented component unit. The Library Board is a non-profit private foundation that raises money on behalf of the County Library. Because the nature and significance of the relationship between the County and the Library Board is such that the exclusion of the Library Board would cause the County's basic financial statements to be incomplete, therefore the financial statements of the Library board are included in these of the County. Separate financial statements for the Library Board are not issued.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

The funds of the County are described below

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned

to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Railroad Fund, and Economic Development Fund are the County's major governmental funds.

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related cost of the County.

Capital Projects Fund

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

Fiduciary Funds

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

Agency Funds

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

Municipal Fund. The Municipal Fund accounts for the property taxes that the County collects for the various Towns and other governmental organizations within the County.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Trust Funds

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

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

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

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

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

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

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

Solicitor's Fund. The Solicitor's Fund accounts for the operational activities of the regional Solicitor for Marlboro County.

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

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements

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

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

Basis of Accounting

The government-wide statement of net position and statement of activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

D. Cash, Cash Equivalents and Investments (continued)

policies of the County must operate within existing state statutes of the State of South Carolina, which authorizes what the County may and may not invest in.

E. Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise fees, state shared revenue and grants if they are both measurable and available. Non-exchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government wide financial statements in accordance with the accrual basis. All trade and property tax receivables are recorded net of any allowances for uncollectible.

F. Restricted Assets

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

G. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit periods beyond June 30, 2018.

H. Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. The County maintains a capitalization policy of \$5,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

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

Buildings	25-50 years
Improvements	5-50 years
Furniture and Equipment	5-15 years
Infrastructure	40-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

I. Short-term Inter-fund Receivables/Payable

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

J. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The County's policies regarding vacation and sick leave are based on years of service, with a total of 30 days of vacation and 90 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 30 days for vacation. The entire compensated absence liability for unused vacation is reported on the government-wide financial statements.

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

K. Deferred Outflows of Resources

In addition to assets, The County reports deferred outflows of resources in a separate section of its government wide fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The County only has one deferred outflow arising from prepaid cost related to the GASB 68 pension liability.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

L. Deferred Inflows of Resources

In addition to liabilities, The County reports deferred inflows of resources in a separate section of its government wide fund statements. This separate financial statement element,

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

M. Long-term Obligations

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

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

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

N. Equity Classifications

Government-Wide Statements

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

a. Net Investment in capital assets. This consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.

c. Unrestricted net position. All other net position that do not meet the definition of "restricted" or "net investment in capital assets" are classified as unrestricted.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

N. Equity Classifications (continued)

The County classifies governmental fund balances as follows:

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

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

O. Capital Contributions

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

P. Inter-fund Transactions

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

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

Q. Use of Estimates

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

R. Pensions

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

S. Prior Period Adjustment

Governmental

Net Position, beginning of the year, as previously restated:	\$ 14,172,744
Decrease resulting from recognition of the net OPEB liability costs related to GASB Statement No. 75	(784,827)
Net Position, beginning of year, as restated:	\$ 13,387,917

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the County’s deposits may not be recovered. The County’s policy requires deposits to be 100 percent secured by collateral valued at market or par, whoever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposits of the County’s reporting entity are insured or collateralized with securities held by the County, its agent, or by the pledging financial institutions trust department or agent in the name of the County. As of June 30, 2018, \$14,031,375 of the County’s bank balance of \$17,293,356, which has a carrying value of \$16,650,502 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the County’s name	<u>\$ 14,031,375</u>
---	----------------------

Note 3. Property Taxes

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

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

A summary of outstanding property taxes at June 30, 2018, is presented below.

	<u>Governmental Fund Type</u>			<u>Fiduciary Fund Type</u>	
	General Fund	Special Revenue Fund	Debt Service Fund	Agency Fund	Total
Taxes Receivable	\$ 528,127	\$ 157,140	\$ 38,981	\$ 1,753,853	\$ 2,478,101
Less: Allowance for Doubtful Accounts	<u>(220,141)</u>	<u>(65,501)</u>	<u>(16,249)</u>	<u>(731,064)</u>	<u>(1,032,955)</u>
Net Taxes Receivable	<u>\$ 307,986</u>	<u>\$ 91,639</u>	<u>\$ 22,732</u>	<u>\$ 1,022,789</u>	<u>\$ 1,445,146</u>

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 4. Other Receivables

Other governmental receivables at June 30, 2018, consist of intergovernmental revenues, grant revenues and franchise fees. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2018, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 307,472	\$ -
Special Revenue Funds	1,168	107,190
Debt Service Fund	5,801	-
Trust Funds	-	211,407
	<hr/>	<hr/>
Totals	<u>\$ 314,441</u>	<u>\$ 318,597</u>

The General Fund receivable is a result of various payroll operating transactions for the solicitor Trust Fund.

The Debt Service receivable is a result of various transactions for the General Fund and Special Revenue Fund.

Note 6. Capital Assets

Capital Asset activity for the year ended June 30, 2018, was as follows:

Governmental Activities

Non-depreciable Assets:	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u>
Land and Land Improvements	\$ 1,752,738	\$ -	\$ -	\$ -	\$ 1,752,738
Construction in Progress	178,569	916,256	-	-	1,094,825
Depreciable Assets:					
Buildings and Improvements	27,635,084	-	-	-	27,635,084
Equipment	6,126,758	414,253	(104,560)	-	6,436,451
Infrastructure	7,318,520	-	-	-	7,318,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	43,011,669	1,330,509	(104,560)	-	44,237,618
Less: Accumulated Depreciation					
Buildings and Improvements	(18,018,958)	(719,616)	-	-	(18,738,574)
Equipment	(4,892,435)	(420,595)	104,560	-	(5,208,470)
Land Improvements	(7,171)	(4,883)	-	-	(12,054)
Infrastructure	(1,635,858)	(177,577)	-	-	(1,813,435)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	(24,554,422)	(1,322,671)	104,560	-	(25,772,533)
Governmental Activities Capital Assets, Net	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 18,457,247	\$ 7,838	\$ -	\$ -	\$ 18,465,085

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General Government	\$	591,760
Public Safety		457,779
Public Services		114,900
Culture and Recreation		42,351
Economic Development		11,071
Health and Environment		104,810
Total Depreciation Expense	\$	<u>1,322,671</u>

Construction in progress and construction commitments – governmental activities consisted of the following at June 30, 2018:

	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
<i>Governmental Activities</i>			
Brightsville Walking Trail	\$ 85,428	\$ 85,428	\$ -
Airport Rehab	<u>1,009,397</u>	<u>1,009,397</u>	<u>-</u>
Total	<u>\$ 1,009,397</u>	<u>\$ 1,009,397</u>	<u>\$ -</u>

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2018, are as follows:

Accounts Payable	\$ -
Accrued Payroll, Withholdings, Fringe and Benefits	<u>297,620</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 297,620</u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2018, the governmental long-term debt consisted of general obligation bonds, capital leases, post-closure costs and compensated absences.

General Obligation Bonds

On October 19, 2016, the County issued Series 2016 General Obligation Advanced Refunding Bond totaling \$2,516,000 with principal and interest payments due on April 1st of each year. The bond maturity date is April 2027. The interest rate of the bond is 1.85%. The

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-term Debt (continued)

outstanding balance of the bond as of June 30, 2018, was \$2,123,000. This bond is applicable to the County's 8% debt limit.

On August 30, 2017, the County issued Series 2017 General Obligation Bonds totaling \$770,000 with principal and interest payments due on April 1st of each year. The bond maturity date is April 2024. The interest rate of the bond is 2.49%. The outstanding balance of the bond as of June 30, 2018, was \$660,961. This bond is applicable to the County's 8% debt limit.

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

Year Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	322,499	\$ 55,733	\$ 378,232
2020		326,076	49,105	375,181
2021		333,718	42,393	376,111
2022		341,425	35,524	376,949
2023		348,199	28,494	376,693
2024-2027		<u>1,112,044</u>	<u>49,553</u>	<u>1,161,597</u>
Totals	<u>\$</u>	<u>2,783,961</u>	<u>\$ 260,802</u>	<u>\$ 3,044,763</u>

Capital Lease Payable

On September 21, 2012, the County entered into a capital lease arrangement with Branch Banking and Trust Company ("BB&T") to purchase a fire truck in the amount of \$180,000. The lease is payable in yearly installments beginning September 21, 2013, including interest at a rate of 2.21%. As of June 30, 2018, the County had an outstanding balance of \$94,537.

On March 6, 2013, the County entered into a capital lease arrangement with AT&T to purchase Interact 911 Phone System in the amount of \$345,364. The lease is payable in monthly installments beginning April, 2013, including interest at a rate of 3.98%. As of June 30, 2018, the County had paid off this capital lease. T

On September 11, 2014, the County entered into a capital lease arrangement with First Citizens Bank and Trust Company, Inc. to purchase various equipment in the amount of \$250,000. The lease is payable in monthly installments beginning September 11, 2015, including interest at a rate of 2.21%. As of June 30, 2018, the County had an outstanding balance of \$87,096.

On August 12, 2015, the County entered into a capital lease arrangement with First Citizens Bank and Trust Company to purchase various equipment and vehicles in the amount of \$445,000. The lease is payable in monthly installments beginning August 12, 2016, including interest at a rate of 2.25%. As of June 30, 2018, the County had an outstanding balance of \$272,918.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-term Debt (continued)

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2018.

Year Ending June 30,	
2019	\$ 168,720
2020	152,526
2021	115,356
2022	20,260
2023	<u>19,882</u>
Total minimum lease payments	476,744
Less: Amounts representing interest	<u>(22,192)</u>
Present value of future minimum lease payments	<u>\$ 454,552</u>

Note 9. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018.

	Balance <u>7/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2018</u>	Due Within <u>One Year</u>
<i>Governmental Activities:</i>					
G.O. Bond 2016	\$ 2,336,000	\$ -	\$ (213,000)	\$ 2,123,000	\$ 219,000
G.O. Bond 2017	-	770,000	(109,039)	660,961	103,499
Capital Lease	649,275	-	(194,724)	454,551	158,198
Compensated Absences	302,903	311,425	(302,903)	311,425	50,536
Net OPEB Obligation	186,360	907,867	(186,360)	907,867	-
Net Pension Liability	12,329,325	1,104,621	-	13,433,946	-
Post-closure Costs	<u>44,000</u>	<u>-</u>	<u>(11,000)</u>	<u>33,000</u>	<u>-</u>
Total	<u>\$ 15,847,863</u>	<u>\$ 3,093,913</u>	<u>\$ (1,017,026)</u>	<u>\$ 17,924,750</u>	<u>\$ 531,233</u>

Note 10. Debt Limitations

The amount of legal debt margin as of June 30, 2018, is computed as follows:

Total Assessed Value	<u>\$ 71,438,280</u>
Debt Limit 8% of Assessed Value	\$ 5,715,062
Amount of Debt Applicable to Limit	<u>(2,783,961)</u>
Legal Debt Margin	<u>\$ 2,931,101</u>

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans

Description of the Entity- 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 State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through 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, 202 Arbor Lake Drive, Columbia, SC 29223. 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 South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public-school districts, and political subdivisions.

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

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

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

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

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent.

Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates for fiscal year 2017-2018 are as follows:

SCRS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employee Class Two	9.0 % of earnable compensation	8.66 % of earnable compensation
Employee Class Three	9.0 % of earnable compensation	8.66 % of earnable compensation
PORS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employee Class Two	9.75 % of earnable compensation	9.24 % of earnable compensation
Employee Class Three	9.75 % of earnable compensation	9.24 % of earnable compensation

Required employer contributions for fiscal year 2017-2018 are as follows:

SCRS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employer Class Two	13.41 % of earnable compensation	11.41 % of earnable compensation
Employer Class Three	13.41 % of earnable compensation	11.41 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation	0.15 % of earnable compensation
PORS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employee Class Two	15.84 % of earnable compensation	13.84 % of earnable compensation
Employee Class Three	15.84 % of earnable compensation	13.84 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation	0.20 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation	0.20 % of earnable compensation

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic reviews, typically with an experience study, as actual results over an

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

extended periods of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017, for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability- The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net</u>	<u>Employers' Net Pension</u>	<u>Plan Fiduciary Net Position as of Percentage of</u>
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long term expected rate of return- The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Employee Retirement Plans (continued)

Discount rate- The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the 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 TPL.

Sensitivity Analysis- The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
System			
SCRS	\$ 12,634,598	\$ 9,802,905	\$ 8,084,733
PORS	\$ 4,902,596	\$ 3,631,041	\$ 2,629,454

Additional Information and Actuarial Information- Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems’ audited financial statements for the fiscal year ended June 30, 2017, (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

Note 12. Post-Employment Health Care Benefits

Plan Description: The County sponsors a single-employer medical insurance subsidy benefit plan (the “OPEB Plan”) that provides payments on behalf of eligible retirees to be used toward the purchase of subsidization or medical insurance provided under the County’s group plan. in the form of health insurance coverage. Employees become eligible when the employee qualifies for the SCRS or PORS and has ten (10) or more years of service. Information regarding SCRS and PORS eligibility may be found in the Comprehensive Annual Financial Report as identified in Note 11. The OPEB Plan may be changed by County Council at its discretion; the benefit and contribution requirements of the County and plan members are established and amended by County Council. These contributions are neither guaranteed nor mandatory. County Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of June 30 2017, the measurement date, there were 170 covered participants; nineteen (19) members are retirees receiving benefits and 151 are active participants and dependents.

Funding Policy: The County pays a maximum of \$300 monthly to age 65, if the employee retires with 30 years of full-time service with Marlboro County, the SCRS or the PORS. Employees retiring with at least 10 years of full-time service with the County or the state of

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Post-Employment Health Care Benefits (continued)

South Carolina may continue existing coverage at their own cost with no County contributions towards their cost. Employees reaching age 65 and obtaining Medicare or other medical coverage can elect to also continue coverage by paying the applicable state premium increased by an implicit subsidy cost of 1.5 times the premium billed by the state. Employees retiring prior to June 30, 2008 were grandfathered to receive subsidized retirement health benefits post Medicare eligibility, are not limited by the \$300 monthly maximum and are not subject to the 30 years of full-time service requirement. Employees retiring after June 30, 2008 must obtain Medicare and are not eligible to continue coverage through the County.

The County's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Post-Employment Health Care Benefits (continued)

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

Valuation Date:	June 30, 2016
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.56% as of June 30, 2017
Inflation	2.25%
Salary Increases	3.50% to 9.50% for PORS and 3.00% to 7.00% for SCRS, including inflation
Demographic Assumptions	Based on the experience study covering the five-year period ending June 30, 2015 as conducted for the South Carolina Retirement Systems (SCRS)
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members, 111% for female SCRS members, 125% for male PORS members, and 111% for female PORS members.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years; Ultimate trend rate includes a 0.15% adjustment for the excise tax
Participation Rates	70% of future retirees who are eligible for the County subsidy and 15% of those who are not eligible for the subsidy were assumed to choose to receive retiree health care benefits through the County. Retirees are assumed to stop coverage once they've reached age 65.
Other Information:	
Notes	The discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017.

Single Discount Rate: The single discount rate of 3.56% was used to measure the total OPEB liability. The accounting policy is to set the Single Discount Rate equal to the prevailing rate for 20-year tax exempt bond obligation municipal bonds with an average rating of AA or higher.

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB: The net OPEB liability ("NOL") is calculated separately and represents the system's Total OPEB Liability determined in accordance with GASB No. 74 less its fiduciary net position.

NOL totals as of June 30, 2017, measurement date are presented in the following table:

Total OPEB liability – ending	<u>907,867</u>
Covered-employee payroll	\$ 6,133,175
Total OPEB liability as a percentage of covered-employee payroll	14.80%

As of June 30, 2018, the County reported a liability of approximately \$907,867 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Post-Employment Health Care Benefits (continued)

OPEB liability was determined based on the most recent actuarial valuation report as of July 1, 2017.

For the year ended June 30, 2018, the County recognized OPEB expense of \$38,633. At June 30, 2018, the County reported deferred outflows of resources (prepaid OPEB cost) and

deferred inflows of resources (unavailable revenues-OPEB) related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 8,204
Changes in assumptions	0	39,372
Contributions subsequent to the measurement date	66,344	
Total	\$ 66,344	\$ 47,576

Collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Year Ending June 30	Net Deferred Outflows/(Inflows)
2019	\$ (7,326)
2020	(7,326)
2021	(7,326)
2022	(7,326)
2023	(7,326)
Thereafter	(10,946)
Total	\$ (47,576)

The following table presents the sensitivity of the County's net OPEB liability to changes in the discount rate, calculated using the discount rate of 3.56%, as well as what the OPEB liability would be if it were calculated using a discount rate of 1% lower or 1% higher:

1% Decrease	Current Discount Rate Assumption	1% Increase
2.56%	3.56%	4.56%
\$ 980,459	\$ 907,867	\$ 843,325

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Post-Employment Health Care Benefits (continued)

Sensitivity of the OPEB Liability to Changes in Healthcare cost Trend Rate: The following table presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than current healthcare trend cost rates:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 821,541	\$ 907,867	\$ 1,008,093

Note 13. Commitments and Contingencies

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

In the normal course of business, the County enters into agreements with contractors for construction projects. As of June 30, 2018, open contracts and project budgets for construction totaled \$1,009,397 of which \$1,009,397 has been recorded as construction in progress.

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

Note 14. Insurance and Risk Management

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

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

The County paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$157,843 to cover risks that may occur in normal operations. These risks include loss of real property and contents, motor vehicles, errors and omissions, general liability and theft and dishonesty.

The County paid insurance premiums to the South Carolina Counties Workers' Compensation Trust totaling \$180,990 for workers' compensation coverage.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 15. Closure and Post-closure Care Costs

State and federal environmental laws and regulations require that Marlboro County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions for twenty (20) years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are recognized based on the estimated closure and post-closure care costs. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The landfill was officially closed in 2001 and the remaining closure period is now nineteen (19) years. The estimated liability for closure and post-closure care costs is \$33,000 as of June 30, 2018, which is based on total post closure-costs for the landfill. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2018. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations. These estimates also assume that there is no groundwater contamination, methane gas problems, major settling, or other similar problems discovered at these sites. Should any of these problems be found, costs could escalate very rapidly. There are no financial assurance requirements or restricted assets related to the estimated liability.

The current year reduction to closure and post-closure costs was \$11,000.

Note 16. Intergovernmental Revenues

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

Note 17. Operating Lease Commitment

The County has an operating lease with Todd's Computer Sales and Services for computers. The lease term is for 3 years with various start and end dates with each department. Either party may terminate the rental agreement at any time. Rent is payable on a yearly basis in the amount of \$15,660.

Note 18. Fee-In-Lieu Agreements

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

Marlboro County provides property tax reductions through South Carolina's Fee in Lieu of Tax (FILOT) program pursuant to the authority granted by Title 12, Chapter 44 of the Code of Laws of South Carolina, 1976, as amended in order to reduce the property tax burden on businesses thereby inducing such businesses to invest in the county. South Carolina has a property tax structure that compares unfavorably to many other states with whom we compete to attract industry. This program is designed to make Marlboro County a more attractive location for companies making significant capital investment and job creation. As the site selection process for industries has become increasingly more competitive, many companies come to view FILOT agreements as absolutely critical to their decision to locate in South

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 18. Fee-In-Lieu Agreements (continued)

Carolina. This innovative solution is the primary recruitment tool used by county governments in South Carolina to recruit new industry and to encourage our existing industries to remain in operation in Marlboro County.

In order to be eligible for a FILOT, a business must commit to invest at least \$2.5 million over a five-year period. Property subject to a FILOT agreement is exempt from ad valorem property tax and is instead subject to a fee in lieu of tax, equal to the product of the value of

the property, a negotiated assessment ratio that is equal to or lower than the normally applicable assessment rates, and a millage rate that is either fixed for the life of the agreement or is adjusted every five years based on a trailing five-year average. In addition, the FILOT payments may be fixed over the life of the FILOT program based on a net present value method.

The majority of the FILOT agreements entered into by Marlboro County provide companies a reduced assessment ratio, usually to the maximum allowed by state statute, 6%, and a fixed millage rate for the life of the agreement which is typically a term of 20-30 years in length.

The FILOT program resulted in property taxes abated of \$1,091,881 in tax year 2018.

According to South Carolina Department of Revenue reports, capital investment committed to in existing FILOT agreements was \$723,065,633. This investment resulted in FILOT payments of \$4,124,087 to Marlboro County in tax year 2018.

Multi County Industrial or Business Park

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

In 2016 the total tax revenue shared with other South Carolina counties, and not distributed to Marlboro County taxing entities, per existing multi-county industrial park agreements was \$37,029.

Note 20. Subsequent Events

The County has evaluated subsequent events through February 22, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GENERAL FUND

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

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property Taxes - Net	\$ 3,281,760	\$ 2,587,687	\$ (694,073)
Vehicle Taxes - Net	764,160	669,850	(94,310)
Delinquent Taxes - Net	376,200	423,538	47,338
Fee In Lieu of Taxes	1,714,000	1,516,005	(197,995)
Local Option Sales Tax	1,380,800	1,099,259	(281,541)
Homestead Exemption	459,680	383,415	(76,265)
Manufacturer Reimbursement	371,920	302,256	(69,664)
Inventory Replacement	67,600	58,389	(9,211)
	<u>8,416,120</u>	<u>7,040,399</u>	<u>(1,375,721)</u>
Total Taxes			
Licenses, Fees and Permits			
Planning and Zoning	92,200	115,143	22,943
Delinquent Tax Collector	225,000	211,950	(13,050)
Clerk of Court	150,500	146,981	(3,519)
Probate Court	55,000	65,572	10,572
Magistrate	133,000	139,849	6,849
Landfill	-	14,228	14,228
E-911	134,200	68,207	(65,993)
Sheriff	6,500	7,595	1,095
Forfeited Land Commission	8,500	11,198	2,698
Road Maintenance Fees	600,000	635,443	35,443
Franchise Fees	14,000	17,550	3,550
Solid Waste Fee	250,000	252,900	2,900
Other	77,700	102,128	24,428
	<u>1,746,600</u>	<u>1,788,744</u>	<u>42,144</u>
Total Licenses, Fees and Permits			
Intergovernmental Revenue			
Aid to Subdivisions	1,066,000	1,103,101	37,101
Unit Cost	2,000	3,284	1,284
Veterans Service Offices	4,700	4,704	4
Election Commission	30,000	13,521	(16,479)
Accommodations Tax	144,000	156,516	12,516
Solid Waste Tire Rebate	12,000	10,040	(1,960)
Salary Supplements	6,300	6,531	231
Other	49,100	10,495	(38,605)
	<u>1,314,100</u>	<u>1,308,192</u>	<u>(5,908)</u>
Total Intergovernmental Revenue			
Charges for Services			
Recreation	1,000	1,400	400
	<u>1,000</u>	<u>1,400</u>	<u>400</u>
Total Charges for Services			

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Miscellaneous			
Rental and Leases	\$ 2,500	\$ 27,788	\$ 25,288
Grants	627,116	1,221,346	594,230
Donations	3,000	3,153	153
Interest	2,500	4,875	2,375
Other	<u>258,300</u>	<u>242,990</u>	<u>(15,310)</u>
Total Miscellaneous	<u>893,416</u>	<u>1,500,152</u>	<u>606,736</u>
Total Revenues	<u>12,371,236</u>	<u>11,638,887</u>	<u>(732,349)</u>
Expenditures			
General Government			
County Council			
Operating	108,600	109,571	(971)
Personnel	<u>131,474</u>	<u>114,169</u>	<u>17,305</u>
Total County Council	<u>240,074</u>	<u>223,740</u>	<u>16,334</u>
County Administrator			
Operating	23,300	20,537	2,763
Personnel	<u>226,120</u>	<u>221,387</u>	<u>4,733</u>
Total County Administrator	<u>249,420</u>	<u>241,924</u>	<u>7,496</u>
Finance			
Operating	64,800	21,167	43,633
Personnel	<u>289,891</u>	<u>235,393</u>	<u>54,498</u>
Total Finance	<u>354,691</u>	<u>256,560</u>	<u>98,131</u>
Human Resources			
Operating	5,500	4,441	1,059
Personnel	<u>62,952</u>	<u>91,230</u>	<u>(28,278)</u>
Total Human Resources	<u>68,452</u>	<u>95,671</u>	<u>(27,219)</u>
Non-departmental			
Operating	828,108	755,791	72,317
Personnel	<u>170,000</u>	<u>228,292</u>	<u>(58,292)</u>
Total Non-departmental	<u>998,108</u>	<u>984,083</u>	<u>14,025</u>
County Attorney			
Operating	5,750	900	4,850
Personnel	<u>24,931</u>	<u>50,925</u>	<u>(25,994)</u>
Total County Attorney	<u>30,681</u>	<u>51,825</u>	<u>(21,144)</u>

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Treasurer			
Operating Personnel	\$ 101,500	\$ 90,513	\$ 10,987
	<u>234,724</u>	<u>217,994</u>	<u>16,730</u>
Total Treasurer	<u>336,224</u>	<u>308,507</u>	<u>27,717</u>
Delinquent Tax Collector			
Operating Personnel	135,300	80,770	54,530
	<u>64,094</u>	<u>49,854</u>	<u>14,240</u>
Total Delinquent Tax Collector	<u>199,394</u>	<u>130,624</u>	<u>68,770</u>
Auditor			
Operating Personnel	85,200	71,692	13,508
	<u>144,302</u>	<u>121,215</u>	<u>23,087</u>
Total Auditor	<u>229,502</u>	<u>192,907</u>	<u>36,595</u>
Assessor			
Operating Personnel	59,500	29,952	29,548
	<u>355,939</u>	<u>311,500</u>	<u>44,439</u>
Total Assessor	<u>415,439</u>	<u>341,452</u>	<u>73,987</u>
GIS			
Operating Personnel	-	11,243	(11,243)
	<u>-</u>	<u>44,204</u>	<u>(44,204)</u>
Total GIS	<u>-</u>	<u>55,447</u>	<u>(55,447)</u>
Voter Registration			
Operating Personnel	87,700	45,668	42,032
	<u>126,944</u>	<u>121,926</u>	<u>5,018</u>
Total Treasurer	<u>214,644</u>	<u>167,594</u>	<u>47,050</u>
Clerk of Court			
Operating Personnel	139,900	118,379	21,521
	<u>299,709</u>	<u>284,771</u>	<u>14,938</u>
Total Clerk of Court	<u>439,609</u>	<u>403,150</u>	<u>36,459</u>
Probate Court			
Operating Personnel	28,100	20,867	7,233
	<u>194,457</u>	<u>184,554</u>	<u>9,903</u>
Total Probate Court	<u>222,557</u>	<u>205,421</u>	<u>17,136</u>
Magistrate			
Operating Personnel	25,400	26,516	(1,116)
	<u>290,195</u>	<u>332,889</u>	<u>(42,694)</u>
Total Magistrate	<u>315,595</u>	<u>359,405</u>	<u>(43,810)</u>

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Solicitor			
Operating	\$ 91,300	\$ 90,646	\$ 654
Total Solicitor	<u>91,300</u>	<u>90,646</u>	<u>654</u>
Coroner			
Operating	45,200	26,693	18,507
Personnel	<u>64,025</u>	<u>55,694</u>	<u>8,331</u>
Total Coroner	<u>109,225</u>	<u>82,387</u>	<u>26,838</u>
Public Defender			
Operating	<u>52,290</u>	<u>52,290</u>	<u>-</u>
Total Public Defender	<u>52,290</u>	<u>52,290</u>	<u>-</u>
Planning and Zoning			
Operating	15,250	19,900	(4,650)
Personnel	<u>98,121</u>	<u>95,320</u>	<u>2,801</u>
Total Planning and Zoning	<u>113,371</u>	<u>115,220</u>	<u>(1,849)</u>
Building Maintenance			
Operating	129,800	136,645	(6,845)
Personnel	<u>288,674</u>	<u>273,279</u>	<u>15,395</u>
Total Building Maintenance	<u>418,474</u>	<u>409,924</u>	<u>8,550</u>
Library			
Operating	157,100	166,005	(8,905)
Personnel	<u>278,031</u>	<u>281,896</u>	<u>(3,865)</u>
Total Library	<u>435,131</u>	<u>447,901</u>	<u>(12,770)</u>
Airport			
Operating	<u>40,000</u>	<u>29,769</u>	<u>10,231</u>
Total Airport	<u>40,000</u>	<u>29,769</u>	<u>10,231</u>
Other			
Operating	30,500	68,445	(37,945)
Personnel	<u>79,140</u>	<u>74,904</u>	<u>4,236</u>
Total Other	<u>109,640</u>	<u>143,349</u>	<u>(33,709)</u>
Total General Government	<u>5,683,821</u>	<u>5,389,796</u>	<u>294,025</u>
Public Safety			
Law Enforcement			
Operating	365,800	350,317	15,483
Personnel	<u>1,670,597</u>	<u>1,454,287</u>	<u>216,310</u>
Total Law Enforcement	<u>2,036,397</u>	<u>1,804,604</u>	<u>231,793</u>

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Detention Center			
Operating	\$ 376,630	\$ 384,216	\$ (7,586)
Personnel	<u>902,824</u>	<u>838,310</u>	<u>64,514</u>
Total Detention Center	<u>1,279,454</u>	<u>1,222,526</u>	<u>56,928</u>
Dispatch			
Operating	16,500	6,559	9,941
Personnel	<u>452,792</u>	<u>448,874</u>	<u>3,918</u>
Total Dispatch	<u>469,292</u>	<u>455,433</u>	<u>13,859</u>
Emergency Preparedness			
Operating	<u>6,550</u>	<u>2,595</u>	<u>3,955</u>
Total Emergency Preparedness	<u>6,550</u>	<u>2,595</u>	<u>3,955</u>
Emergency Preparedness Supplemental Grant			
Operating	<u>65,400</u>	<u>26,462</u>	<u>38,938</u>
Total Emergency Preparedness Supplemental Grant	<u>65,400</u>	<u>26,462</u>	<u>38,938</u>
E-911 Surcharge			
Operating	206,300	106,175	100,125
Personnel	<u>89,416</u>	<u>90,315</u>	<u>(899)</u>
Total E-911 Surcharge	<u>295,716</u>	<u>196,490</u>	<u>99,226</u>
Total Public Safety	<u>4,152,809</u>	<u>3,708,110</u>	<u>444,699</u>
Public Service			
Landfill			
Operating	21,700	120,655	(98,955)
Personnel	<u>-</u>	<u>89,559</u>	<u>(89,559)</u>
Total Landfill	<u>21,700</u>	<u>210,214</u>	<u>(188,514)</u>
Road Maintenance			
Operating	166,300	172,564	(6,264)
Personnel	<u>557,808</u>	<u>476,761</u>	<u>81,047</u>
Total Road Maintenance	<u>724,108</u>	<u>649,325</u>	<u>74,783</u>
CTC Funds			
Operating	<u>20,000</u>	<u>21,102</u>	<u>(1,102)</u>
Total CTC Funds	<u>20,000</u>	<u>21,102</u>	<u>(1,102)</u>
Solid Waste			
Operating	119,400	63,051	56,349
Personnel	<u>139,161</u>	<u>44,671</u>	<u>94,490</u>
Total BORO Progress Energy	<u>258,561</u>	<u>107,722</u>	<u>150,839</u>
Total Public Services	<u>1,024,369</u>	<u>988,363</u>	<u>36,006</u>

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation			
Recreation			
Operating	\$ 156,116	\$ 162,440	\$ (6,324)
Personnel	<u>207,400</u>	<u>205,704</u>	<u>1,696</u>
Total Recreation	<u>363,516</u>	<u>368,144</u>	<u>(4,628)</u>
Local Accommodations			
Operating	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Local Accommodations	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Culture and Recreation	<u>393,516</u>	<u>398,144</u>	<u>(4,628)</u>
Health and Environment			
Animal Shelter			
Operating	123,500	85,075	38,425
Personnel	<u>55,961</u>	<u>54,819</u>	<u>1,142</u>
Total Animal Shelter	<u>179,461</u>	<u>139,894</u>	<u>39,567</u>
Soil Conservation			
Personnel	<u>6,263</u>	<u>6,254</u>	<u>9</u>
Total Soil Conservation	<u>6,263</u>	<u>6,254</u>	<u>9</u>
Health and Human Services			
Operating	<u>44,949</u>	<u>47,676</u>	<u>(2,727)</u>
Total Health and Human Services	<u>44,949</u>	<u>47,676</u>	<u>(2,727)</u>
Total Health and Environment	<u>230,673</u>	<u>193,824</u>	<u>36,849</u>
Economic Development			
Economic Development			
Operating	54,800	17,810	36,990
Personnel	<u>88,699</u>	<u>76,792</u>	<u>11,907</u>
Total Economic Development	<u>143,499</u>	<u>94,602</u>	<u>48,897</u>
Other Objects			
Other			
Operating	<u>1,190,399</u>	<u>39,980</u>	<u>1,150,419</u>
Total Other Objects	<u>1,190,399</u>	<u>39,980</u>	<u>1,150,419</u>

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO
ACTUAL
For the Fiscal Year Ended June 30, 2018
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Capital Outlay			
Delinquent Tax	\$ 10,000	\$ 17,831	\$ (7,831)
Non-Departmental	-	65,000	(65,000)
Animal Shelter	-	28,685	(28,685)
Airport	150,000	747,745	(597,745)
Road Maintenance	55,000	231,313	(176,313)
Tax Assessor	2,500	-	2,500
Buildings & Maintenance	10,000	23,924	(13,924)
Law Enforcement	25,000	123,410	(98,410)
Detention Center	-	13,708	(13,708)
Other	300	-	300
Recreation	-	85,232	(85,232)
E-911 Surcharge	-	17,333	(17,333)
Total Capital Outlay	<u>252,800</u>	<u>1,354,181</u>	<u>(1,101,381)</u>
Debt Service			
Principal	148,500	136,975	11,525
Interest	-	12,152	(12,152)
Total Debt Service	<u>148,500</u>	<u>149,127</u>	<u>(627)</u>
Total Expenditures	<u>13,220,386</u>	<u>12,316,127</u>	<u>904,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(849,150)</u>	<u>(677,240)</u>	<u>171,910</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	4,000	34,090	30,090
Transfer Out	(110,000)	-	110,000
Transfer In	635,000	600,000	(35,000)
Transfer from Reserves	320,150	-	(320,150)
Capital Lease Proceeds	-	-	-
Total Other Financing Sources	<u>849,150</u>	<u>634,090</u>	<u>(215,060)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(43,150)</u>	<u>\$ (43,150)</u>
Fund Balance, Beginning of Year		<u>5,492,305</u>	
Fund Balance, End of Year		<u>\$ 5,449,155</u>	

**MARLBORO COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 8,416,120	\$ 8,416,120	\$ 7,040,399	\$ (1,375,721)
Licenses, Fees and Permits	1,746,600	1,746,600	1,788,744	42,144
Intergovernmental	1,314,100	1,314,100	1,308,192	(5,908)
Charges for Services	1,000	1,000	1,400	400
Miscellaneous	<u>893,416</u>	<u>893,416</u>	<u>1,500,152</u>	<u>606,736</u>
 Total Revenues	 <u>12,371,236</u>	 <u>12,371,236</u>	 <u>11,638,887</u>	 <u>(732,349)</u>
Expenditures				
Current:				
General Government	5,683,821	5,683,821	5,389,796	294,025
Public Safety	4,152,809	4,152,809	3,708,110	444,699
Public Service	1,024,369	1,024,369	988,363	36,006
Culture and Recreation	393,516	393,516	398,144	(4,628)
Health and Environment	230,673	230,673	193,824	36,849
Economic Development	143,499	143,499	94,602	48,897
Other Objects	1,190,399	1,190,399	39,980	1,150,419
Capital Outlay	252,800	252,800	1,354,181	(1,101,381)
Debt Service				
Principal	148,500	148,500	136,975	11,525
Interest	<u>-</u>	<u>-</u>	<u>12,152</u>	<u>(12,152)</u>
 Total Expenditures	 <u>13,220,386</u>	 <u>13,220,386</u>	 <u>12,316,127</u>	 <u>904,259</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(849,150)</u>	<u>(849,150)</u>	<u>(677,240)</u>	<u>171,910</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	4,000	4,000	34,090	30,090
Transfer Out	(110,000)	(110,000)	-	110,000
Transfer In	635,000	635,000	600,000	(35,000)
Transfer from Reserves	320,150	320,150	-	(320,150)
Capital Lease Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources	 <u>849,150</u>	 <u>849,150</u>	 <u>634,090</u>	 <u>(215,060)</u>
 Net Change in Fund Balance	 <u>-</u>	 <u>-</u>	 <u>(43,150)</u>	 <u>(43,150)</u>
Fund Balance, Beginning of Year	<u>5,492,305</u>	<u>5,492,305</u>	<u>5,492,305</u>	<u>-</u>
 Fund Balance, End of Year	 <u>\$ 5,492,305</u>	 <u>\$ 5,492,305</u>	 <u>\$ 5,449,155</u>	 <u>\$ (43,150)</u>

**MARLBORO COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018**

Total OPEB liability	
Service cost	\$ 18,130
Interest on the total OPEB liability	27,829
Changes of benefit terms	0
Difference between expected and actual experience of the total OPEB liability	(9,467)
Changes of assumptions	(45,435)
Benefit payments	(54,377)
Net change in total OPEB liability	<u>(63,320)</u>
Total OPEB liability – beginning	<u>971,187</u>
Total OPEB liability – ending	<u><u>907,867</u></u>

The benefit payments during the measurement period were determined as follows:

a. Explicit benefit payments	\$ 59,953	(provided by the County)
b. Implicit benefit payments	<u>(5,576)</u>	(explicit benefit payments * -0.093)
c. Total benefit payments	\$ 54,377	

Note: GASB Statement No. 75 requires ten years of information to be presented in this table, However until a full 10-year trend is compiled, The County will present information for those years. The Discount rate used for the year ended June 30, 2018, was 3.56%.

**MARLBORO COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018**

SCRS	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
County's proportion of the net pension liability (asset)	0.043546%		0.0413040%		0.0413350%		0.0429000%
County's proportionate share of the net pension liability (asset)	\$ 9,802,905	\$	8,822,473	\$	7,839,382	\$	7,378,727
County's covered employee payroll	\$ 4,555,229	\$	4,392,619	\$	3,998,946	\$	3,890,936
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	215.20%		200.85%		196.04%		189.64%
Plan fiduciary net position as a percentage of total pension liability	74.19%		62.25%		53.46%		47.67%
PORS			<u>2017</u>		<u>2016</u>		<u>2015</u>
County's proportion of the net pension liability (asset)	0.13254%		0.138250%		0.141890%		0.144200%
County's proportionate share of the net pension liability (asset)	\$ 3,631,041	\$	3,506,752	\$	3,092,509	\$	2,760,375
County's covered employee payroll	\$ 1,746,703	\$	1,784,898	\$	1,762,543	\$	1,734,219
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.88%		196.47%		175.46%		159.17%
Plan fiduciary net position as a percentage of total pension liability	27.48%		24.74%		21.09%		17.83%

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

**MARLBORO COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018**

SCRS	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 610,856	\$ 507,787	\$ 436,285	\$ 422,529	\$ 422,444
Contributions in relation to contractually required contribution	<u>610,856</u>	<u>507,787</u>	<u>436,285</u>	<u>422,529</u>	<u>422,444</u>
 County's covered-employee payroll	 \$ 4,555,229	 \$ 4,392,619	 \$ 3,988,946	 \$ 3,875,634	 \$ 3,890,936
Contributions as a percentage of covered-employee payroll	13.41%	11.56%	10.94%	10.90%	10.86%
 PORS	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>	 <u>2014</u>
Contractually required contribution	\$ 276,678	\$ 254,169	\$ 235,123	\$ 235,726	\$ 222,675
Contributions in relation to contractually required contribution	<u>276,678</u>	<u>254,169</u>	<u>235,123</u>	<u>235,726</u>	<u>222,675</u>
 County's covered-employee payroll	 \$ 1,746,703	 \$ 1,784,898	 \$ 1,762,543	 \$ 1,757,836	 \$ 1,734,219
Contributions as a percentage of covered-employee payroll	15.84%	14.24%	13.34%	13.41%	12.84%

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

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2018

Note 1. Budgets and Budgetary Accounting

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

Note 2. Legal Compliance – Budgets

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

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

The culture and recreation and capital outlay has excess expenditures over appropriations in the amount of \$4,628 and \$1,101,381 respectively.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. Below is a list of special revenue funds held by the County:

Railroad Fund

Family Court IV-D Funds

Victims Advocacy Fund

Law Library Fund

Emergency Medical Service Fund

Forfeited Land Commission Fund

Wallace Water Palmetto Brick Fund

Family Court Incentive Fund

Marshall Street Housing Rehab Fund

Rural Fire Fund

Economic Development Fund

Sheriff Drug Forfeiture Fund

MARLBORO COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	<u>Railroad Fund</u>	<u>Family Court IV- D Fund</u>	<u>Victims Advocacy Fund</u>	<u>Law Library Fund</u>	<u>Emergency Medical Services</u>	<u>Forfeited Land Commission Fund</u>
Assets						
Cash and Cash Equivalents	\$ 1,735,771	\$ 168,080	\$ 37,860	\$ 81,544	\$ -	\$ 63,389
Pooled Cash	-	-	-	-	177,670	-
Receivables						
Property Taxes, Net	-	-	-	-	46,842	-
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>-</u>
Total Assets	<u>\$ 1,735,771</u>	<u>\$ 168,080</u>	<u>\$ 37,860</u>	<u>\$ 81,544</u>	<u>\$ 224,679</u>	<u>\$ 63,389</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities						
Due to Other Funds	<u>\$ 84,315</u>	<u>\$ 13,947</u>	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>84,315</u>	<u>13,947</u>	<u>649</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows						
Unavailable Revenue - Property Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,778</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,778</u>	<u>-</u>
Fund Balance						
Assigned	<u>1,651,456</u>	<u>154,133</u>	<u>37,211</u>	<u>81,544</u>	<u>196,901</u>	<u>63,389</u>
Total Fund Balance	<u>1,651,456</u>	<u>154,133</u>	<u>37,211</u>	<u>81,544</u>	<u>196,901</u>	<u>63,389</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,735,771</u>	<u>\$ 168,080</u>	<u>\$ 37,860</u>	<u>\$ 81,544</u>	<u>\$ 224,679</u>	<u>\$ 63,389</u>

**MARLBORO COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2018
(Continued)**

	<u>Family Court Incentive Fund</u>	<u>Marshall Street Housing Rehab Fund</u>	<u>Rural Fire Fund</u>	<u>Economic Development Fund</u>	<u>Sheriff Drug Forfeiture</u>	<u>Totals</u>
Assets						
Cash and Cash Equivalents	\$ 150,575	\$ 38,131	\$ 362,316	\$ 1,628,461	\$ 24,139	\$ 4,290,266
Pooled Cash	-	-	-	-	-	177,670
Receivables						
Property Taxes, Net	-	-	44,796	-	-	91,638
Due from Other Funds	-	-	1,001	-	-	1,168
Total Assets	<u>\$ 150,575</u>	<u>\$ 38,131</u>	<u>\$ 408,113</u>	<u>\$ 1,628,461</u>	<u>\$ 24,139</u>	<u>\$ 4,560,742</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities						
Due to Other Funds	\$ -	\$ -	\$ 8,279	\$ -	\$ -	\$ 107,190
Total Liabilities	-	-	8,279	-	-	107,190
Deferred Inflows						
Unavailable Revenue - Property Taxes	-	-	23,564	-	-	51,342
Total Deferred Inflows of Resources	-	-	23,564	-	-	51,342
Fund Balance						
Assigned	150,575	38,131	376,270	1,628,461	24,139	4,402,210
Total Fund Balance	150,575	38,131	376,270	1,628,461	24,139	4,402,210
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 150,575</u>	<u>\$ 38,131</u>	<u>\$ 408,113</u>	<u>\$ 1,628,461</u>	<u>\$ 24,139</u>	<u>\$ 4,560,742</u>

MARLBORO COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	Railroad Fund	Family Court IV-D Fund	Victims Advocacy Fund	Law Library Fund	Emergency Medical Services	Forfeited Land Commission Fund	Family Court Incentive Fund	Marshall Street Housing Rehab Fund	Rural Fire Fund	Economic Development Fund	Sheriff Drug Forfeiture	Totals
Revenues												
Taxes												
Property Taxes - Net	\$ -	\$ -	\$ -	\$ -	\$ 475,376	\$ -	\$ -	\$ -	\$ 514,341	\$ -	\$ -	\$ 989,717
Vehicle Taxes - Net	-	-	-	-	91,086	-	-	-	104,426	-	-	195,512
Fee In Lieu of Taxes	-	-	-	-	157,275	-	-	-	239,030	516,748	-	913,053
Homestead Exemption	-	-	-	-	47,187	-	-	-	49,275	-	-	96,462
Manufacturer Reimbursement	-	-	-	-	13,881	-	-	-	19,924	-	-	33,805
Inventory Replacement	-	-	-	-	7,186	-	-	-	11,007	-	-	18,193
Other	-	-	-	-	3	-	-	-	5	-	-	8
Total Taxes	-	-	-	-	791,994	-	-	-	938,008	516,748	-	2,246,750
Intergovernmental Revenue												
Unit Cost	-	189,128	-	-	-	-	-	-	-	-	-	189,128
Incentive Payments	-	-	-	-	-	-	9,115	-	-	-	-	9,115
Total Intergovernmental Revenue	-	189,128	-	-	-	-	9,115	-	-	-	-	198,243
Fines and Forfeitures												
Victims Advocacy	-	-	19,902	-	-	-	-	-	-	-	-	19,902
Total Fines and Forfeitures	-	-	19,902	-	-	-	-	-	-	-	-	19,902
Miscellaneous												
Rents	324,287	-	-	-	-	-	-	-	-	-	-	324,287
Interest	-	131	-	-	-	-	-	-	-	1,366	-	1,497
Other	-	1,914	-	4,670	-	3,284	-	-	-	-	20,061	29,929
Total Miscellaneous	324,287	2,045	-	4,670	-	3,284	-	-	-	1,366	20,061	355,713
Total Revenues	324,287	191,173	19,902	4,670	791,994	3,284	9,115	-	938,008	518,114	20,061	2,820,608
Expenditures												
General Government												
Title IV-D Family Court												
Operating	-	26,107	-	-	-	-	-	-	-	-	-	26,107
Personnel	-	114,568	-	-	-	-	-	-	-	-	-	114,568
Total Title IV-D Family Court	-	140,675	-	-	-	-	-	-	-	-	-	140,675
Family Court Incentive Fund												
Operating	-	-	-	-	-	-	26,555	-	-	-	-	26,555
Forfeited Land Commission												
Operating	-	-	-	-	-	6,041	-	-	-	-	-	6,041
Law Library												
Operating	-	-	-	56	-	-	-	-	-	-	-	56
Total General Government	-	140,675	-	56	-	6,041	26,555	-	-	-	-	173,327

MARLBORO COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018
(Continued)

	Railroad Fund	Family Court IV-D Fund	Victims Advocacy Fund	Law Library Fund	Emergency Medical Services	Forfeited Land Commission Fund	Family Court Incentive Fund	Marshall Street Housing Rehab Fund	Rural Fire Fund	Economic Development Fund	Sheriff Drug Forfeiture	Totals
Public Safety												
Sheriff Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,219	\$ 10,219
Rural Fire Services Operating Personnel	-	-	-	-	-	-	-	-	514,453 52,271	-	-	514,453 52,271
Total Rural Fire Services	-	-	-	-	-	-	-	-	566,724	-	-	566,724
Victim's Advocate Operating	-	-	18,519	-	-	-	-	-	-	-	-	18,519
Total Public Safety	-	-	18,519	-	-	-	-	-	566,724	-	10,219	595,462
Public Service												
Railroad Operating	91,810	-	-	-	-	-	-	-	-	-	-	91,810
Total Public Services	91,810	-	-	-	-	-	-	-	-	-	-	91,810
Health and Environment												
Emergency Medical Services Operating	-	-	-	-	791,500	-	-	-	-	-	-	791,500
Total Health and Environment	-	-	-	-	791,500	-	-	-	-	-	-	791,500
Economic Development												
Economic Development Operating	-	-	-	-	-	-	-	-	-	9,472	-	9,472
Total Economic Development	-	-	-	-	-	-	-	-	-	9,472	-	9,472
Capital Outlay												
Rural Fire	-	-	-	-	-	-	-	-	236,500	-	-	236,500
Victims Advocate	-	-	1,177	-	-	-	-	-	-	-	-	1,177
Airport	83,083	-	-	-	-	-	-	-	-	-	-	83,083
Total Capital Outlay	83,083	-	1,177	-	-	-	-	-	236,500	-	-	320,760
Debt Service												
Principal	-	-	-	-	-	-	-	-	17,769	-	-	17,769
Interest	-	-	-	-	-	-	-	-	2,490	-	-	2,490
Total Debt Service	-	-	-	-	-	-	-	-	20,259	-	-	20,259
Total Expenditures	174,893	140,675	19,696	56	791,500	6,041	26,555	-	823,483	9,472	10,219	2,002,590
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,394	50,498	206	4,614	494	(2,757)	(17,440)	-	114,525	508,642	9,842	818,018
Other Financing Sources (Uses)												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	(400,000)	-	-	-	(50,000)	-	-	-	-	(150,000)	-	(600,000)
Total Other Financing Sources (Uses)	(400,000)	-	-	-	(50,000)	-	-	-	-	(150,000)	-	(600,000)
Net Change in Fund Balances	(250,606)	50,498	206	4,614	(49,506)	(2,757)	(17,440)	-	114,525	358,642	9,842	218,018
Fund Balances, Beginning of Year	1,902,062	103,635	37,005	76,930	246,407	66,146	168,015	38,131	261,745	1,269,819	14,297	4,184,192
Fund Balances, End of Year	\$ 1,651,456	\$ 154,133	\$ 37,211	\$ 81,544	\$ 196,901	\$ 63,389	\$ 150,575	\$ 38,131	\$ 376,270	\$ 1,628,461	\$ 24,139	\$ 4,402,210

**MARLBORO COUNTY, SOUTH CAROLINA
LIBRARY OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Local Sources:				
County Tax Appropriation	\$ -	\$ 355,868	\$ 355,868	\$ -
Fines, Fees and Gifts	<u>34,648</u>	<u>18,316</u>	<u>17,032</u>	<u>35,932</u>
Total	<u>34,648</u>	<u>374,184</u>	<u>372,900</u>	<u>35,932</u>
State Sources:				
Education Lottery	-	-	-	-
State Aid	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total All Sources of Funds	<u>\$ 34,648</u>	<u>\$ 449,184</u>	<u>\$ 447,900</u>	<u>\$ 35,932</u>

**MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OF FINES AND ASSESSMENTS
For the Fiscal Year Ended June 30, 2018**

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected	68,579	298,311	-	366,890
Court fines and assessments remitted to State Treasurer	44,658	118,413	-	163,071
Total Court Fines and Assessments retained	23,921	179,898	-	203,819
Court Surcharges:				
Court surcharges collected	4,120	57,010	-	61,130
Court surcharges remitted to State Treasurer	1,557	51,816	-	53,373
Total Court Surcharges retained	2,563	5,193	-	7,756
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	2,563	5,193	-	7,756
Assessments retained	574	10,849	-	11,423
Total Surcharges and Assessments retained for victim services	3,137	16,042	-	19,179

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance		37,201	37,201
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	-	11,423	11,423
Victim Service Surcharges Retained by City/County Treasurer	-	7,756	7,756
Interest Earned	-	-	-
Grant Funds Received			
Grant from:	-	-	-
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance	-	56,380	56,380
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	-	-	-
Operating Expenditures	-	18,520	18,520
Victim Service Contract(s):			
(1) Lancaster County Sheriff Department	-	-	-
(2) Entity's Name	-	-	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	-	18,520	18,520
Total Victim Service Funds Retained by Municipal/County Treasurer (A-	-	37,860	37,860
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds – End of Year	-	37,860	37,860

DEBT SERVICE FUND

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

**MARLBORO COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash	\$ 308,173
Property Taxes Receivable, Net	22,733
Due from Other Funds	<u>5,801</u>
Total Assets	<u>\$ 336,707</u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>\$ 13,634</u>
Total Deferred Inflows	<u>13,634</u>

Fund Balance

Restricted for Debt Service	<u>323,073</u>
Total Fund Balance	<u>323,073</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 336,707</u>

**MARLBORO COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

Revenues

Taxes

Property Taxes - Net	\$ 198,522
Vehicle Taxes - Net	43,271
Delinquent Taxes - Net	30,002
Fee in Lieu	76,001
Homestead Exemption	22,521
Manufacturer Reimbursement	6,625
Inventory Replacement	3,430
Other	<u>1</u>

Total Taxes	<u>380,373</u>
-------------	----------------

Licenses, Fees and Permits

Motor Carrier Fees	<u>4,331</u>
--------------------	--------------

Total Licenses, Fees and Permits	<u>4,331</u>
----------------------------------	--------------

Total Revenues	<u>384,704</u>
-----------------------	-----------------------

Expenditures

Principal Retirement	322,039
Interest and Other Charges	<u>54,134</u>

Total Expenditures	<u>376,173</u>
---------------------------	-----------------------

Excess of Revenues Over Expenditures	<u>8,531</u>
---	---------------------

Net Change in Fund Balance	8,531
-----------------------------------	--------------

Fund Balance, Beginning of Year	<u>314,542</u>
--	-----------------------

Fund Balance, End of Year	<u><u>\$ 323,073</u></u>
----------------------------------	---------------------------------

CAPITAL PROJECT FUNDS

The capital projects fund is used to account for the acquisition and construction of major capital facilities.

**MARLBORO COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash \$ 589,655

Total Assets **\$ 589,655**

Liabilities and Fund Balances

Liabilities

Fund Balances

Restricted for Capital Projects \$ 589,655

Total Liabilities and Fund Balances **\$ 589,655**

**MARLBORO COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

Revenues	<u>\$ -</u>
Expenditures	
Capital Projects	<u>251,040</u>
Total Expenditures	<u>251,040</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(251,040)</u>
Other Financing Sources (Uses)	
Bond Proceeds	770,000
Payment to Refunding Bond Escrow Agent	-
Bond Issue Cost	-
Transfer from Debt Service	<u>-</u>
Total Other Financing Sources (Uses)	<u>770,000</u>
 Net Change in Fund Balance	 518,960
 Fund Balance, Beginning of Year	 <u>70,695</u>
 Fund Balance, End of Year	 <u><u>\$ 589,655</u></u>

FIDUCIARY FUNDS

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

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

**MARLBORO COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 2018**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 5,249,014	\$ 1,366,579
Taxes Receivable, Net	<u>1,022,789</u>	<u>-</u>
Total Assets	<u>\$ 6,271,803</u>	<u>\$ 1,366,579</u>
Liabilities		
Due to Other Taxing Authorities	\$ 5,249,014	\$ -
Due to General Fund	<u>-</u>	<u>211,407</u>
Total Liabilities	<u>5,249,014</u>	<u>211,407</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>1,022,789</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>1,155,172</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,366,579</u>

MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OR CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash	\$ 2,627,414	\$ 56,162,200	\$ 53,540,600	\$ 5,249,014
Taxes Receivable, Net	<u>957,585</u>	<u>65,204</u>	<u>-</u>	<u>1,022,789</u>
Total Assets	<u>\$ 3,584,999</u>	<u>\$ 56,227,404</u>	<u>\$ 53,540,600</u>	<u>\$ 6,271,803</u>
Liabilities				
Due to Other Taxing Authorities	<u>\$ 2,627,414</u>	<u>\$ 56,162,200</u>	<u>\$ 53,540,600</u>	<u>\$ 5,249,014</u>
Total Liabilities	<u>2,627,414</u>	<u>56,162,200</u>	<u>53,540,600</u>	<u>5,249,014</u>
Deferred Inflows	<u>957,585</u>	<u>65,204</u>	<u>-</u>	<u>1,022,789</u>
Total Liabilities and Deferred Inflows	<u>\$ 3,584,999</u>	<u>\$ 56,227,404</u>	<u>\$ 53,540,600</u>	<u>\$ 6,271,803</u>

**MARLBORO COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET-ALL TRUST FUNDS
June 30, 2018**

	Solicitors	County Treasurer	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Sheriff Drug Trust	Total
Assets								
Cash	\$ 145,286	\$ 1,252	\$ 45,613	\$ 792,741	\$ 79,308	\$ 278,918	\$ 23,461	\$ 1,366,579
Total Assets	<u>\$ 145,286</u>	<u>\$ 1,252</u>	<u>\$ 45,613</u>	<u>\$ 792,741</u>	<u>\$ 79,308</u>	<u>\$ 278,918</u>	<u>\$ 23,461</u>	<u>\$ 1,366,579</u>
Liabilities and Net Position								
Due to General Fund	\$ 197,344	\$ -	\$ -	\$ -	\$ 3,976	\$ 10,087	\$ -	\$ 211,407
Net Position								
Held in Trust	<u>(52,058)</u>	<u>1,252</u>	<u>45,613</u>	<u>792,741</u>	<u>75,332</u>	<u>268,831</u>	<u>23,461</u>	<u>1,155,172</u>
Total Liabilities and Net Position	<u>\$ 145,286</u>	<u>\$ 1,252</u>	<u>\$ 45,613</u>	<u>\$ 792,741</u>	<u>\$ 79,308</u>	<u>\$ 278,918</u>	<u>\$ 23,461</u>	<u>\$ 1,366,579</u>

**MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Total <u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed Through SC Emergency Management Division: Emergency Management Performance Grant	97.042	\$ <u>58,319</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>58,319</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Direct Program: Airport Improvement Program	20.106 *	<u>747,744</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>747,744</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through SC DHHS: Drug Free Communities Support Program Grant	93.276	<u>67,771</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>67,771</u>
TOTAL FEDERAL ASSISTANCE EXPENDED		<u>\$ 873,834</u>

* Denotes program tested as major program

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes federal grant activity of Marlboro County under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Marlboro County, it is not intended to and does not present the financial position, changes in net position or cash flows of Marlboro County.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *the Uniform Guidance* and/or OMB Circular 1-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1011 FAIR STREET
P.O. DRAWER 428
CAMDEN, SOUTH CAROLINA 29201
FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD
SHANE E. KIRKLEY, CPA
B. KEACH JORDAN, CPA

MARC A. QUIGLEY, CPA
REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
CHRISTOPHER H. HARRELL
JOHN F. MARTIN
JOHN C. BOYKIN, III

February 22, 2019

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S
SOUTH CAROLINA ASSOCIATION OF CPA'S
TELEPHONE
(803) 432-1424
FAX
(803) 432-1831
WEBSITE: WWW.SHGCPA.COM

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

Honorable Members of the County Council
Marlboro County
Bennettsville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Marlboro County, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Marlboro County's basic financial statements and have issued our report thereon dated February 22, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1011 FAIR STREET
P.O. DRAWER 428
CAMDEN, SOUTH CAROLINA 29201
FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD
SHANE E. KIRKLEY, CPA
B. KEACH JORDAN, CPA

MARC A. QUIGLEY, CPA
REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
CHRISTOPHER H. HARRELL
JOHN F. MARTIN
JOHN C. BOYKIN, III

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S
SOUTH CAROLINA ASSOCIATION OF CPA'S
TELEPHONE
(803) 432-1424
FAX
(803) 432-1831
WEBSITE: WWW.SHGCPA.COM

February 22, 2019

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

Honorable Members of the County Council
Marlboro County
Bennettsville, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Marlboro County, South Carolina compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Marlboro County, South Carolina major federal programs for the year ended June 30, 2018. Marlboro County, South Carolina major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Marlboro County, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

A. SUMMARY OF RESULTS

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

U. S. Department of Transportation:
Airport Improvement Program – CFDA 20.106
8. Type A programs are those exceeding \$750,000. Type B programs are those not exceeding \$750,000.

Marlboro County, South Carolina did qualify as a low-risk auditee

**MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018
(Continued)**

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

**MARLBORO COUNTY, SOUTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE