

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

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

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		20-45

**MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017
(Continued)**

SUPPLEMENTAL INFORMATION:

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	46-52
Required Supplemental Information - Budgetary Comparison Schedule	53
Required Supplemental Information - Other Post Employment Benefit Plan - Defined Benefit Healthcare Plan - Schedules of Employer Contributions and Funding Progress	54
Required Supplemental Information – Schedule of the County’s Proportionate Share of the Net Pension Liability	55
Required Supplemental Information – Schedule of County Contributions	56
Notes to Required Supplemental Information	57

Special Revenue Funds

Combining Balance Sheet	58-59
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	60-61
Schedule of Revenues, Expenditures and Changes in Fund Balance - Library Operations	62
Schedule of Fines and Assessments	63

Debt Service Fund

Balance Sheet	64
Schedule of Revenues, Expenditures and Changes in Fund Balance	65

Capital Projects Fund

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

MARLBORO COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017
(Continued)

Fiduciary Funds

Combining Balance Sheet	68
Schedule of Changes in Assets and Liabilities – All Agency Funds	69
Combining Balance Sheet – All Trust Funds	70

COMPLIANCE SECTION:

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72
---	-------

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

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

February 8, 2018

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

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4 through 11 and 53, and the schedules of funding progress and employer contributions, schedule of County's proportionate share of net pension liability and the schedule of the County's contributions on pages 54-56 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 8, 2018 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, 2017**

This section presents our discussion and analysis of Marlboro County, South Carolina's financial performance during the fiscal year that ended June 30, 2017. 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 \$14,172,744. Of this amount, \$1,523,620 was restricted, \$15,471,972 was net investment in capital assets, and the remaining resulted in a negative unrestricted net position in the amount of \$2,822,848. As of the close of the fiscal year, Marlboro County's governmental funds reported ending fund balances of \$10,061,733. At the end of the fiscal year, the unassigned fund balance was \$4,259,721.

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 were 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, 2017
(Continued)**

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

	Fund Statements	
	<u>Government-wide Statements</u>	<u>Fiduciary Funds</u>
Scope	Entire County government (except fiduciary funds)	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	Statement of fiduciary net position, Statement or changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic 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	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	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, 2017
(Continued)**

Government-Wide Statements

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

The 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, 2017
(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 \$14,172,744 as summarized and compared to fiscal year 2016 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 2017 compared to fiscal year 2016.

Table 2. Marlboro County's Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 11,794,209	\$ 10,800,915	\$ 993,294
Capital Assets	<u>18,457,247</u>	<u>19,201,790</u>	<u>(744,543)</u>
Total Assets	<u>30,251,456</u>	<u>30,002,705</u>	<u>248,751</u>
Deferred Outflows			
Pension Cost	<u>1,373,925</u>	<u>958,291</u>	<u>415,634</u>
Liabilities			
Other Liabilities	421,367	1,068,529	(647,162)
Long-Term Debt Outstanding	<u>16,324,162</u>	<u>14,965,621</u>	<u>1,358,541</u>
Total Liabilities	<u>16,745,529</u>	<u>16,034,150</u>	<u>711,379</u>
Deferred Inflows			
Property Tax Credits	460,042	-	460,042
Pension Cost	<u>247,066</u>	<u>262,822</u>	<u>(15,756)</u>
Total Deferred Inflows	<u>707,108</u>	<u>262,822</u>	<u>444,286</u>
Net Position			
Net Investment in Capital Assets	15,471,972	15,685,492	(213,520)
Restricted	1,523,620	1,540,777	(17,157)
Unrestricted	<u>(2,822,848)</u>	<u>(2,562,245)</u>	<u>(260,603)</u>
Total Net Position	<u>\$ 14,172,744</u>	<u>\$ 14,664,024</u>	<u>\$ (491,280)</u>

The net position of the County decreased by less than 4 percent during the year (\$14.66 million compared to \$14.17 million). Unrestricted net position increased from negative \$2.5 million at the beginning of the year to negative \$2.8 million at the end of the year, due to the increase in deferred inflows.

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

Table 3. Marlboro County's Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program Services:			
Charges for Services	\$ 1,938,701	\$ 1,907,219	\$ 31,482
Operating Grants	768,775	645,699	123,076
Capital Grants	<u>28,898</u>	<u>168,032</u>	<u>(139,134)</u>
Total Program Services	<u>2,736,374</u>	<u>2,720,950</u>	<u>15,424</u>
General Revenues:			
Taxes	9,509,289	9,022,184	487,105
Miscellaneous	441,472	369,811	71,661
Intergovernmental Revenue	1,559,201	1,452,265	106,936
Investment Earnings	3,907	3,440	467
Gain on Disposition of Capital Assets	<u>3,999</u>	<u>19,558</u>	<u>(15,559)</u>
Total General Revenues	<u>11,517,868</u>	<u>10,867,258</u>	<u>650,610</u>
Total Revenues	<u>14,254,242</u>	<u>13,588,208</u>	<u>666,034</u>
Expenses:			
General Government	6,335,499	6,005,222	330,277
Public Safety	4,839,362	4,681,299	158,063
Public Services	1,334,417	1,060,466	273,951
Culture and Recreation	643,502	413,048	230,454
Health and Environment	936,131	978,718	(42,587)
Economic Development	303,770	259,956	43,814
Other Objects	109,292	50,595	58,697
Capital Outlay	168,254	233,304	(65,050)
Interest and Other Charges	<u>75,295</u>	<u>127,922</u>	<u>(52,627)</u>
Total Expenses	<u>14,745,522</u>	<u>13,810,530</u>	<u>934,992</u>
Change in Net Position	(491,280)	(222,322)	(268,958)
Net Position, Beginning of Year, as Restated	<u>14,664,024</u>	<u>14,886,346</u>	<u>(222,322)</u>
Net Position, End of Year	<u>\$ 14,172,744</u>	<u>\$ 14,664,024</u>	<u>\$ (491,280)</u>

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

Governmental Activities

Governmental activities decreased the County's net position by \$491,280. 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 \$10,061,733 which is an increase of \$632,978 over last year. Of this balance, the general fund makes up \$5,492,305 or roughly 55%. The general fund is the main operating fund for the County. Special revenue funds make up \$4,569,428 of the governmental fund balance. The special revenue funds are funds that are setup to account for specific revenues that are legally restricted 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 \$1,004,650 above the budgeted amount. Actual expenses for the general fund were \$727,718 under budget, and other financing sources were \$1,823,041 under budget. The change in fund balance is an decrease of \$90,673.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, Marlboro County had invested \$18,457,247 (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 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, 2017
(Continued)**

Table 4. Marlboro County's Capital Assets

	<u>2017</u>	<u>2016</u>
Land	\$ 1,752,738	\$ 1,736,253
Construction in Process	178,569	277,593
Buildings and Improvements	27,635,084	27,601,384
Infrastructure	7,318,520	7,172,682
Equipment	6,126,758	5,684,175
Accumulated Depreciation	<u>(24,554,422)</u>	<u>(23,270,297)</u>
 Total Net Capital Assets	 <u>\$ 18,457,247</u>	 <u>\$ 19,201,790</u>

Long-term Debt

At year-end, the County had \$15,847,763 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 \$5,699,866, which means that the County was \$3,363,866 under the debt ceiling.

Table 5. Marlboro County's Outstanding Debt

	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 2,336,000	\$ 2,664,171
Capital Leases	649,275	852,127
Compensated Absences	302,903	301,397
Post-Closure Costs	44,000	55,000
Net OPEB Obligation	186,360	161,036
Net Pension Liability	<u>12,329,225</u>	<u>10,931,891</u>
 Total	 <u>\$ 15,847,763</u>	 <u>\$ 14,965,622</u>

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

NEXT YEAR'S BUDGETS

The 2017-2018 budget for Marlboro County's expenditures is \$11,181,227. This budget contains a provision that would require an appropriation from the available fund balance of \$400,127.

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, 2017

	Governmental Activities	Component Unit - Library Board
Assets		
Cash and Cash Equivalents	\$ 9,867,591	\$ 61,379
Taxes Receivable, Net	397,581	-
Other Receivables	1,115,647	-
Due from Trust Funds	319,190	-
Prepaid Expenses	94,200	-
Capital Assets:		
Land	1,752,738	-
Construction in Progress	178,569	-
Buildings and Improvements	27,635,084	-
Equipment	6,126,758	-
Infrastructure	7,318,520	-
Less: Accumulated Depreciation	<u>(24,554,422)</u>	<u>-</u>
Total Capital Assets, Net of Depreciation	<u>18,457,247</u>	<u>-</u>
Deferred Outflows of Resources		
Prepaid Pension Cost	<u>1,373,925</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 31,625,381</u>	<u>\$ 61,379</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 399,077	\$ -
Accrued Interest Payable	22,289	-
Due to Other Governments	476,400	-
Long-Term Liabilities:		
Due Within One Year:		
General Obligation Bonds	213,000	-
Capital Lease	194,724	-
Compensated Absences	39,261	-
Due in More Than One Year:		
General Obligation Bonds	2,123,000	-
Capital Lease	454,551	-
Compensated Absences	263,642	-
Net Pension Liability	12,329,225	-
Net OPEB Obligation	186,360	-
Closure and Post Closure Costs	<u>44,000</u>	<u>-</u>
Total Liabilities	<u>16,745,529</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenues - Property Tax Credit	460,042	-
Unavailable Revenues - Pension	<u>247,066</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>707,108</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>17,452,637</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	15,471,972	-
Restricted for:		
Debt Service	523,908	-
Capital Projects	70,695	-
Special Projects	891,816	-
Victims Assistance	37,201	-
Unrestricted	<u>(2,822,848)</u>	<u>61,379</u>
Total Net Position	<u>\$ 14,172,744</u>	<u>\$ 61,379</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, 2017**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Component Unit - Library Board
Governmental Activities						
General Government	\$ 6,335,499	\$ 753,434	\$ 170,151	\$ -	\$ (5,411,914)	\$ -
Public Safety	4,839,362	92,548	559,129	-	(4,187,685)	-
Public Services	1,334,417	1,092,469	31,987	28,898	(181,063)	-
Culture and Recreation	643,502	250	-	-	(643,252)	-
Health and Environment	936,131	-	7,508	-	(928,623)	-
Economic Development	303,770	-	-	-	(303,770)	-
Other Objects	109,292	-	-	-	(109,292.00)	-
Capital Outlay	168,254	-	-	-	(168,254)	-
Interest and Other Charges	75,295	-	-	-	(75,295)	-
Total Governmental Activities	14,745,522	1,938,701	768,775	28,898	(12,009,148)	-
Total Component Unit	2,182	-	-	\$ -	(12,009,148)	(2,182)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					4,693,816	-
Property Taxes, Levied for Debt Service					228,370	-
Public Service Taxes					705,704	-
Sales and Use Tax					1,543,464	-
Payments in Lieu of Taxes					2,337,935	-
Miscellaneous					441,472	3,827
Unrestricted Investment Earnings					3,907	-
Intergovernmental Revenues					1,559,201	-
Gain on Disposition of Capital Assets					3,999	-
Total General Revenues					11,517,868	3,827
Change in Net Position					(491,280)	1,645
Net Position, Beginning of Year					14,664,024	59,734
Net Position, End of Year					\$ 14,172,744	\$ 61,379

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

MARLBORO COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Economic Development Fund	Rural Fire Fund	Capital Projects Fund	Railroad Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 5,630,552	\$ 1,269,819	\$ 326,643	\$ 70,695	\$ 1,512,632	\$ 827,323	\$ 9,637,664
Pooled Cash	-	-	-	-	-	229,927	229,927
Receivables:							
Property Taxes, Net	290,969	-	42,581	-	-	64,031	397,581
Intergovernmental	1,113,371	-	-	-	-	-	1,113,371
Other	2,276	-	-	-	-	-	2,276.00
Prepaid Expenses	94,200	-	-	-	-	-	94,200
Due From Other Funds	429,822	-	13,458	-	400,000	17,776	861,056
Total Assets	\$ 7,561,190	\$ 1,269,819	\$ 382,682	\$ 70,695	\$ 1,912,632	\$ 1,139,057	\$ 12,336,075
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 399,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,077
Compensated Absences	39,261	-	-	-	-	-	39,261
Due to Other Governments	476,400	-	-	-	-	-	476,400
Due to Other Funds	431,159	-	83,576	-	10,570	16,561	541,866
Total Liabilities	1,345,897	-	83,576	-	10,570	16,561	1,456,604
Deferred Inflows							
Unavailable Revenues - Property Tax Credit	460,042	-	-	-	-	-	460,042
Unavailable Revenues - Property Taxes	262,946	-	37,361	-	-	57,389	357,696
Total Deferred Inflows	722,988	-	37,361	-	-	57,389	817,738
Fund Balances							
Nonspendable for Prepaids	94,200	-	-	-	-	-	94,200
Restricted for:							
Debt Service	209,367	-	-	-	-	314,541	523,908
Capital Projects	-	-	-	70,695	-	-	70,695
Special Projects	891,816	-	-	-	-	-	891,816
Victims Assistance	37,201	-	-	-	-	-	37,201
Assigned	-	1,269,819	261,745	-	1,902,062	750,566	4,184,192
Unassigned	4,259,721	-	-	-	-	-	4,259,721
Total Fund Balances	5,492,305	1,269,819	261,745	70,695	1,902,062	1,065,107	10,061,733
Total Liabilities, Deferred Inflows and Fund Balances	\$ 7,561,190	\$ 1,269,819	\$ 382,682	\$ 70,695	\$ 1,912,632	\$ 1,139,057	\$ 12,336,075

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, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 10,061,733
 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	357,696
 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 \$43,011,669 and the accumulated depreciation is \$24,554,422	
	18,457,247
 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.	
	(186,360)
 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.	
	(22,289)
 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	(12,329,225)
 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)	1,373,925
Deferred inflows of resources related to pensions (from pension schedule)	(247,066)
 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	(2,123,000)
General Obligation Bonds- Current	(213,000)
Capital Lease	(454,551)
Capital Lease - Current	(194,724)
Compensated Absences	(263,642)
Closure and Post Closure Costs	<u>(44,000)</u>
 Total Net Position - Governmental Activities (Exhibit A)	 <u>\$ 14,172,744</u>

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

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

	General Fund	Economic Development Fund	Rural Fire Fund	Capital Projects Fund	Railroad Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 6,976,469	\$ 460,572	\$ 884,391	\$ -	\$ -	\$ 1,120,068	\$ 9,441,500
Licenses, Permits and Fees	1,547,325	-	-	-	-	4,146	1,551,471
Intergovernmental Revenues	1,420,535	-	-	-	-	138,667	1,559,202
Charges for Services	250	-	-	-	-	-	250
Fines and Forfeits	-	-	-	-	-	16,363	16,363
Miscellaneous	1,153,904	418	-	-	413,339	47,589	1,615,250
Total Revenues	11,098,483	460,990	884,391	-	413,339	1,326,833	14,184,036
Expenditures							
Current:							
General Government	5,258,103	-	-	-	-	179,604	5,437,707
Public Safety	3,630,758	-	520,717	-	-	25,826	4,177,301
Public Services	884,885	-	-	-	29,043	-	913,928
Culture and Recreation	424,359	-	-	-	-	-	424,359
Health and Environment	200,428	-	-	-	-	690,000	890,428
Economic Development	116,519	101,500	-	-	-	-	218,019
Other Objects	70,955	-	-	-	-	-	70,955
Capital Outlay	455,977	-	284,983	16,954	-	-	757,914
Debt Service:							
Principal	133,980	-	17,385	-	-	224,674	376,039
Interest and Other Charges	17,191	-	2,875	-	-	75,664	95,730
Total Expenditures	11,193,155	101,500	825,960	16,954	29,043	1,195,768	13,362,380
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	(94,672)	359,490	58,431	(16,954)	384,296	131,065	821,656
Other Financing Sources (Uses)							
Sale of Capital Assets	3,999	-	-	-	-	-	3,999
Bond Issue Cost	-	-	-	(38,337)	-	-	(38,337)
Transfer Out	(22,460)	-	-	-	-	(243,130)	(265,590)
Bond Proceeds	-	-	-	2,516,000	-	-	2,516,000
Payment to Refunding Bond Escrow Agent	-	-	-	(2,670,340)	-	-	(2,670,340)
Transfer In	22,460	-	-	193,130	-	50,000	265,590
Total Other Financing Sources (Uses)	3,999	-	-	453	-	(193,130)	(188,678)
Net Change in Fund Balances	(90,673)	359,490	58,431	(16,501)	384,296	(62,065)	632,978
Fund Balances, Beginning of Year	5,582,978	910,329	203,314	87,196	1,517,766	1,127,172	9,428,755
Fund Balances, End of Year	\$ 5,492,305	\$ 1,269,819	\$ 261,745	\$ 70,695	\$ 1,902,062	\$ 1,065,107	\$ 10,061,733

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, 2017

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	\$ 632,978
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 depreciation expense of \$1,334,204 exceeds capital outlay of \$589,660.	(744,541)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(2,516,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,844,171
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	202,850
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue increased in the current year.	66,207
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 used exceeded the vacation earned.	(15,788)
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.	(25,324)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased in the current year.	19,111
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	\$ 507,587
Cost of benefits earned net of employee contributions (pension expense from SCRS benefit schedule)	<u>(1,473,531)</u> <u>(965,944)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (491,280)</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, 2017

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 2,627,414	\$ 1,061,233
Taxes Receivable, Net	<u>957,585</u>	<u>-</u>
Total Assets	<u>\$ 3,584,999</u>	<u>\$ 1,061,233</u>
Liabilities		
Due to Other Taxing Authorities	\$ 2,627,414	\$ -
Due to General Fund	<u>-</u>	<u>319,116</u>
Total Liabilities	<u>2,627,414</u>	<u>319,116</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>957,585</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>742,117</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,061,233</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, 2017

	Solicitors	County Treasurer	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Probate Court	Sheriff Drug Trust	Total
Additions									
Inmate Deposits	\$ -	\$ -	\$ 65,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,878
Bonds, Fines and Fees	-	1,902,268	-	-	297,410	3,727,143	2,417	-	5,929,238
Escrow Funds	-	-	-	1,018,590	-	-	-	-	1,018,590
Seizures	-	-	-	-	-	-	-	2,232	2,232
Solicitors Allocation	2,025,659	-	-	-	-	-	-	-	2,025,659
Total Additions	<u>2,025,659</u>	<u>1,902,268</u>	<u>65,878</u>	<u>1,018,590</u>	<u>297,410</u>	<u>3,727,143</u>	<u>2,417</u>	<u>2,232</u>	<u>9,041,597</u>
Deductions									
Inmate Withdrawals	-	-	58,008	-	-	-	-	-	58,008
Disbursement of Sales Proceeds	-	-	-	1,380,345	-	-	-	-	1,380,345
Disbursement of Bonds, Fines and Fees	-	1,902,348	-	-	304,046	3,738,888	9,544	-	5,954,826
Disbursement of Escrow Funds	-	-	-	-	-	-	-	1,885	1,885
Solicitors Salaries and Fringe	1,558,815	-	-	-	-	-	-	-	1,558,815
Total Deductions	<u>1,558,815</u>	<u>1,902,348</u>	<u>58,008</u>	<u>1,380,345</u>	<u>304,046</u>	<u>3,738,888</u>	<u>9,544</u>	<u>1,885</u>	<u>8,953,879</u>
Change to Fiduciary Net Position	466,844	(80)	7,870	(361,755)	(6,636)	(11,745)	(7,127)	347	87,718
Net Position, Beginning of Year	<u>(665,310)</u>	<u>1,692</u>	<u>25,191</u>	<u>933,487</u>	<u>71,840</u>	<u>260,883</u>	<u>7,127</u>	<u>19,489</u>	<u>654,399</u>
Net Position, End 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>\$ -</u>	<u>\$ 19,836</u>	<u>\$ 742,117</u>

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

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

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, 2017
(Continued)

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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 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

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

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, Capital Projects Fund, Railroad Fund, Rural Fire 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, 2017
(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, 2017

(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 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.

**MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

(Continued)

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, 2017.

H. Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. 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, 2017
(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.

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,

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

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.

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.).

**MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017
(Continued)**

- **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.

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.

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

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.

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be recovered. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$13,062,445 of the County's bank balance of 13,906,885, which has a carrying value of \$13,618,528 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the County's name	<u>\$ 13,062,445</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.

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

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

	<u>Governmental Fund Type</u>			<u>Fiduciary Fund Type</u>	
	General	Special	Debt	Agency	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Taxes Receivable	\$ 588,988	\$ 171,438	\$ 44,239	\$ 1,937,203	\$ 2,741,868
Less: Allowance for Doubtful Accounts	<u>(298,019)</u>	<u>(86,694)</u>	<u>(22,371)</u>	<u>(979,618)</u>	<u>(1,386,702)</u>
Net Taxes Receivable	<u>\$ 290,969</u>	<u>\$ 84,744</u>	<u>\$ 21,868</u>	<u>\$ 957,585</u>	<u>\$ 1,355,166</u>

Note 4. Other Receivables

Other governmental receivables at June 30, 2017, 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, 2017, (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	\$ 429,822	\$ 431,158
Special Revenue Funds	425,442	110,707
Debt Service Fund	5,717	-
Trust Funds	<u>-</u>	<u>319,116</u>
Totals	<u>\$ 860,981</u>	<u>\$ 860,981</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.

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

Note 6. Capital Assets

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

Governmental Activities

Non-depreciable Assets:	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u>
Land and Land Improvements	\$ 1,736,253	\$ 6,150	\$ -	\$ 10,335	\$ 1,752,738
Construction in Progress	277,594	77,695	-	(176,720)	178,569
Depreciable Assets:					
Buildings and Improvements	27,601,384	33,700	-	-	27,635,084
Equipment	5,684,175	472,115	(50,079)	20,547	6,126,758
Infrastructure	<u>7,172,682</u>	<u>-</u>	<u>-</u>	<u>145,838</u>	<u>7,318,520</u>
Totals	<u>42,472,088</u>	<u>589,660</u>	<u>(50,079)</u>	<u>-</u>	<u>43,011,669</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(17,299,342)	(719,616)	-	-	(18,018,958)
Equipment	(4,507,065)	(435,449)	50,079	-	(4,892,435)
Land Improvements	(2,288.00)	(4,883)	-	-	(7,171)
Infrastructure	<u>(1,461,602)</u>	<u>(174,256)</u>	<u>-</u>	<u>-</u>	<u>(1,635,858)</u>
Totals	<u>(23,270,297)</u>	<u>(1,334,204)</u>	<u>50,079</u>	<u>-</u>	<u>(24,554,422)</u>
Governmental Activities					
Capital Assets,					
Net	<u>\$ 19,201,791</u>	<u>\$ (744,544)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,457,247</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 225,806
Public Safety	332,942
Public Services	425,964
Culture and Recreation	218,512
Economic Development	85,593
Health and Environment	<u>45,387</u>
Total Depreciation Expense	<u>\$ 1,334,204</u>

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

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

	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
<i>Governmental Activities</i>			
Airport Rehab	\$ 178,569	\$ 178,569	\$ -
Total	<u>\$ 178,569</u>	<u>\$ 178,569</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, 2017, are as follows:

Accounts Payable	\$ 163,512
Accrued Payroll, Withholdings, Fringe and Benefits	<u>235,565</u>
Total Accounts Payable and Accrued Expenses -	
Governmental Activities	<u>\$ 399,077</u>

Note 8. Long-term Debt

Governmental Activities:

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

General Obligation Bonds

On June 1, 2007, the County issued Series 2007 General Obligation Bond totaling \$4,000,000 with principal payments due each March 1st and semi-annual interest payments due March 1st and September 1st of each year. The bond maturity date is March, 2027. The interest rate of the bond is 4.125%. This bond is applicable to the County's 8% debt limit. During the fiscal year the County refunded the bond with a 2016 General Obligation Advanced Refunding Bond.

On November 17, 2008, the County issued Series 2008 General Obligation Bond totaling \$156,000 with principal and interest payments due on the 17th of each month. The bond maturity date is November, 2019. The interest rate of the bond is 4.625%. During the fiscal year this bond was paid off.

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 outstanding balance of the bond as of June 30, 2017, was \$2,336,000. This bond is applicable to the County's 8% debt limit. The advanced refunding reduced total debt service payments over the next 11 years by \$478,637. This results in an economic gain (difference between the present values of the debt service payments on the refunded and refunding debt) of \$433,822.

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

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>
2018	\$ 213,000	\$	43,216	\$ 256,216
2019	219,000		39,276	258,276
2020	220,000		35,224	255,224
2021	225,000		31,154	256,154
2022	230,000		26,992	256,992
2023-2027	<u>1,229,000</u>		<u>69,377</u>	<u>1,298,377</u>
 Totals	 <u>\$ 2,336,000</u>	 \$	 <u>245,239</u>	 <u>\$ 2,581,239</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, 2017, the County had an outstanding balance of \$112,307.

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, 2017, the County had an outstanding balance of \$39,980.

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, 2017, the County had an outstanding balance of \$137,072.

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, 2017, the County had an outstanding balance of \$359,916.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(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, 2017.

Year Ending June 30,		
2018	\$	209,367
2019		168,720
2020		152,526
2021		115,357
2022		20,260
2023		<u>20,260</u>
Total minimum lease payments		686,490
Less: Amounts representing interest		<u>(37,215)</u>
Present value of future minimum lease payments	\$	<u><u>649,275</u></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, 2017.

	Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>	Due Within <u>One Year</u>
<i>Governmental Activities:</i>					
G.O. Bond 2007	\$ 2,620,000	\$ -	\$ (2,620,000)	\$ -	\$ -
G.O. Bond 2008	44,171	-	(44,171)	-	-
G.O. Bond 2016	-	2,516,000	(180,000)	2,336,000	213,000
Capital Lease	852,125	-	(202,850)	649,275	194,724
Compensated Absences	301,397	302,903	(301,397)	302,903	39,261
Net OPEB Obligation	161,036	-	25,324	186,360	-
Net Pension Liability	10,931,891	1,397,334	-	12,329,225	-
Post-closure Costs	<u>55,000</u>	<u>-</u>	<u>(11,000)</u>	<u>44,000</u>	<u>-</u>
Total	<u>\$ 14,965,620</u>	<u>\$ 4,216,237</u>	<u>\$ (3,334,094)</u>	<u>\$ 15,847,763</u>	<u>\$ 446,985</u>

Note 10. Debt Limitations

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

Total Assessed Value	\$ <u>71,248,330</u>
Debt Limit 8% of Assessed Value	\$ 5,699,866
Amount of Debt Applicable to Limit	<u>(2,336,000)</u>
Legal Debt Margin	\$ <u><u>3,363,866</u></u>

**MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

(Continued)

Note 11. Employee Retirement Plans

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

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

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

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

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

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

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the

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

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.

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

Required employee contribution rates for fiscal year 2016-2017 are as follows:

SCRS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employee Class Two	8.66 % of earnable compensation	8.16 % of earnable compensation
Employee Class Three	8.66 % of earnable compensation	8.16 % of earnable compensation

PORS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employee Class One	\$21 per month	\$21 per month
Employee Class Two	9.24 % of earnable compensation	8.74 % of earnable compensation
Employee Class Three	9.24 % of earnable compensation	8.74 % of earnable compensation

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

SCRS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employer Class Two	11.41 % of earnable compensation	10.91 % of earnable compensation
Employer Class Three	11.41 % of earnable compensation	10.91 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation	0.15 % of earnable compensation

PORS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employee Class One	7.80 % of earnable compensation	7.80 % of earnable compensation
Employee Class Two	13.84 % of earnable compensation	13.34 % of earnable compensation
Employee Class Three	13.84 % of earnable compensation	13.34 % 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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2017, the County reported a liability of \$8,822,473 for the SCRS and \$3,506,752 for the PORS for a total of \$12,329,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2017, the County's proportion was 0.041304 percent for the SCRS and 0.13825 percent for the PORS measured as of June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of \$965,944. Plus employer's amortization of change in proportionate share and difference between employer contributions and proportionate share or contributions and deferred outflows and inflows of resources, \$90,548.

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

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,488	\$ 9,581
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,139,889	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	237,485
Town contributions subsequent to measurement date	<u>90,548</u>	<u>-</u>
Total	<u>\$ 1,373,925</u>	<u>\$ 247,066</u>

The amount of \$761,956 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	SCRS	PORS	Combined
2018	\$ 136,485	\$ 74,675	\$ 211,160
2019	88,681	72,037	160,718
2020	283,370	134,578	417,948
2021	<u>227,974</u>	<u>109,059</u>	<u>337,033</u>
Total	<u>\$ 736,510</u>	<u>\$ 390,349</u>	<u>\$ 1,126,859</u>

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic reviews, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the

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

July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

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

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ²	4.0% to 10.0% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions are used in July 1, 2015 valuations for SCRS and PORS are as follows:

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

Long term expected rate of return- The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. 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 revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the

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

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.90%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Discount rate- The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 11,005,794	\$ 8,822,473	\$ 7,004,941
PORS	\$ 4,595,899	\$ 3,506,752	\$ 2,527,950

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

Payables to the Pension Plan- The County reported a payable to the SCRS as of June 30, 2017 in the amount of \$145,205.

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

Note 12. Post-Employment Health Care Benefits

Plan Description: The County offers post-employment benefits other than pension benefits (OPEB costs) in the form of health insurance coverage. Beginning with fiscal years beginning after December 15, 2007, and in accordance with the provisions of GASB 45, the County is required to phase in over a period of not more than thirty years the liability for unfunded OPEB costs and to make additional disclosures applicable to those costs.

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 S. C. Retirement System or the S. C. Police Retirement System. Employees retiring with at least 10 years of full time service with the County or the state of 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.

Actuarial Methods and Assumptions: The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the county and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Date:	June 30, 2016
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Amortization Period:	17 years
Actuarial Assumptions	
Medical Trend:	Initial rate of 6%, declining to and ultimate rate of 4.5% after 10 years
Payroll Growth:	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the county's retiree health care plan are subject to

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

continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

1) Net OPEB Obligation, Beginning of the Plan Year	\$ 161,036
2) One Year's Interest on the Net OPEB Obligation	6,039
3) Annual Required Contribution (Normal Cost Plus Any Amortized Payments)	97,710
4) Adjustment to Annual Required Contribution	<u>(14,720)</u>
5) Annual OPEB Cost: (2)+(3)+(4)	89,029
6) Contributions Made for the Plan Year	<u>63,705</u>
7) Increase in Net OPEB Obligation (5)-(6)	<u>25,324</u>
8) Net OPEB Obligation, End of the Plan Year (1)+(7)	<u>\$ 186,360</u>

Schedule of Employer Contributions: Contributions include \$63,705 made by the County through payment of covered participants' explicit and implicit subsidized benefits.

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, 2017, open contracts and project budgets for construction totaled \$178,569 of which \$178,569 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.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

The County paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$157,683 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 \$139,269 for workers' compensation coverage.

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 \$44,000 as of June 30, 2017, 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, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations. These estimates also assume that there is no groundwater contamination, methane gas problems, major settling, or other similar problems discovered at these sites. Should any of these problems be found, costs could escalate very rapidly. There are no financial assurance requirements or restricted assets related to the estimated liability.

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

The County has an operating lease with Dell Financial Services for computers and various related equipment. The lease term is for 3 years starting September 1, 2015, and ending August 31, 2018. Either party may terminate the rental agreement at any time. Rent is payable on a yearly basis in the amount of \$34,912 with a final payment of \$8,564 due at end of lease.

MARLBORO COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(Continued)

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 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 \$1,097,547 in tax year 2016.

According to South Carolina Department of Revenue reports, capital investment committed to in existing FILOT agreements was \$328,276,131. This investment resulted in FILOT payments of \$2,234,132 to Marlboro County in tax year 2016.

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.

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

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 \$41,269.

Note 19. Pending Implementation of GASB Statements

GASB Statement No. 75, *Accounting and Financial Reporting or Postemployment Benefits Other Than Pension*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide support to provide financial support for OPEB provided to employees of other entities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017, which the County will implement with the 2018 financial statements. Management has not yet determined the impact of implementing this standard will have on the County's financial statement, if any.

Note 20. Subsequent Events

The County has evaluated subsequent events through February 8, 2018, 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, 2017**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property Taxes - Net	\$ 2,612,000	\$ 2,563,309	\$ (48,691)
Vehicle Taxes - Net	618,000	688,647	70,647
Delinquent Taxes - Net	292,000	233,283	(58,717)
Fee In Lieu of Taxes	1,205,000	1,415,500	210,500
Local Option Sales Tax	1,340,000	1,543,464	203,464
Homestead Exemption	370,000	381,116	11,116
Manufacturer Reimbursement	100,000	92,270	(7,730)
Inventory Replacement	<u>56,000</u>	<u>58,880</u>	<u>2,880</u>
Total Taxes	<u>6,593,000</u>	<u>6,976,469</u>	<u>383,469</u>
Licenses, Fees and Permits			
Planning and Zoning	60,500	93,326	32,826
Delinquent Tax Collector	155,000	161,323	6,323
Clerk of Court	161,200	179,155	17,955
Probate Court	55,000	49,422	(5,578)
Magistrate	130,000	132,299	2,299
Landfill	20,000	27,439	7,439
E-911	122,600	67,366	(55,234)
Sheriff	6,000	8,818	2,818
Forfeited Land Commission	6,500	11,527	5,027
Road Maintenance Fees	600,000	692,894	92,894
Franchise Fees	17,000	10,742	(6,258)
Other	<u>31,400</u>	<u>113,014</u>	<u>81,614</u>
Total Licenses, Fees and Permits	<u>1,365,200</u>	<u>1,547,325</u>	<u>182,125</u>
Intergovernmental Revenue			
Aid to Subdivisions	1,066,000	1,122,418	56,418
Unit Cost	7,000	4,043	(2,957)
Veterans Service Offices	4,500	4,704	204
Election Commission	30,000	50,725	20,725
Accommodations Tax	133,000	150,890	17,890
Solid Waste Tire Rebate	10,000	12,591	2,591
Salary Supplements	6,000	6,300	300
Other	<u>42,700</u>	<u>68,864</u>	<u>26,164</u>
Total Intergovernmental Revenue	<u>1,299,200</u>	<u>1,420,535</u>	<u>121,335</u>
Charges for Services			
Recreation	<u>1,500</u>	<u>250</u>	<u>(1,250)</u>
Total Charges for Services	<u>1,500</u>	<u>250</u>	<u>(1,250)</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Miscellaneous			
Rental and Leases	\$ 1,500	\$ 2,625	\$ 1,125
Grants	677,333	797,987	120,654
Donations	500	2,175	1,675
Interest	2,500	3,441	941
Other	<u>153,100</u>	<u>347,676</u>	<u>194,576</u>
Total Miscellaneous	<u>834,933</u>	<u>1,153,904</u>	<u>318,971</u>
Total Revenues	<u>10,093,833</u>	<u>11,098,483</u>	<u>1,004,650</u>
Expenditures			
General Government			
County Council			
Operating	99,350	105,865	(6,515)
Personnel	<u>125,000</u>	<u>110,726</u>	<u>14,274</u>
Total County Council	<u>224,350</u>	<u>216,591</u>	<u>7,759</u>
County Administrator			
Operating	127,500	64,893	62,607
Personnel	<u>62,000</u>	<u>162,700</u>	<u>(100,700)</u>
Total County Administrator	<u>189,500</u>	<u>227,593</u>	<u>(38,093)</u>
Finance			
Operating	36,100	26,936	9,164
Personnel	<u>226,700</u>	<u>231,900</u>	<u>(5,200)</u>
Total Finance	<u>262,800</u>	<u>258,836</u>	<u>3,964</u>
Human Resources			
Operating	4,200	3,312	888
Personnel	<u>76,100</u>	<u>77,945</u>	<u>(1,845)</u>
Total Human Resources	<u>80,300</u>	<u>81,257</u>	<u>(957)</u>
Non-departmental			
Operating	863,500	721,474	142,026
Personnel	<u>181,200</u>	<u>137,345</u>	<u>43,855</u>
Total Non-departmental	<u>1,044,700</u>	<u>858,819</u>	<u>185,881</u>
County Attorney			
Operating	5,750	81	5,669
Personnel	<u>53,800</u>	<u>52,143</u>	<u>1,657</u>
Total County Attorney	<u>59,550</u>	<u>52,224</u>	<u>7,326</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Treasurer			
Operating Personnel	\$ 141,000	\$ 96,050	\$ 44,950
	<u>206,900</u>	<u>215,450</u>	<u>(8,550)</u>
Total Treasurer	<u>347,900</u>	<u>311,500</u>	<u>36,400</u>
Delinquent Tax Collector			
Operating Personnel	67,800	66,956	844
	<u>56,400</u>	<u>62,741</u>	<u>(6,341)</u>
Total Delinquent Tax Collector	<u>124,200</u>	<u>129,697</u>	<u>(5,497)</u>
Auditor			
Operating Personnel	82,300	71,408	10,892
	<u>117,500</u>	<u>116,936</u>	<u>564</u>
Total Auditor	<u>199,800</u>	<u>188,344</u>	<u>11,456</u>
Assessor			
Operating Personnel	50,000	29,365	20,635
	<u>301,300</u>	<u>302,753</u>	<u>(1,453)</u>
Total Assessor	<u>351,300</u>	<u>332,118</u>	<u>19,182</u>
GIS			
Operating Personnel	26,000	12,136	13,864
	<u>42,200</u>	<u>42,626</u>	<u>(426)</u>
Total GIS	<u>68,200</u>	<u>54,762</u>	<u>13,438</u>
Voter Registration			
Operating Personnel	97,100	88,246	8,854
	<u>119,300</u>	<u>128,482</u>	<u>(9,182)</u>
Total Treasurer	<u>216,400</u>	<u>216,728</u>	<u>(328)</u>
Clerk of Court			
Operating Personnel	143,900	142,757	1,143
	<u>282,600</u>	<u>257,287</u>	<u>25,313</u>
Total Clerk of Court	<u>426,500</u>	<u>400,044</u>	<u>26,456</u>
Probate Court			
Operating Personnel	23,100	22,887	213
	<u>159,300</u>	<u>169,337</u>	<u>(10,037)</u>
Total Probate Court	<u>182,400</u>	<u>192,224</u>	<u>(9,824)</u>
Magistrate			
Operating Personnel	30,300	21,945	8,355
	<u>340,500</u>	<u>339,556</u>	<u>944</u>
Total Magistrate	<u>370,800</u>	<u>361,501</u>	<u>9,299</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Solicitor			
Operating	\$ 91,300	\$ 91,046	\$ 254
Total Solicitor	<u>91,300</u>	<u>91,046</u>	<u>254</u>
Coroner			
Operating	53,700	49,788	3,912
Personnel	<u>29,500</u>	<u>29,885</u>	<u>(385)</u>
Total Coroner	<u>83,200</u>	<u>79,673</u>	<u>3,527</u>
Public Defender			
Operating	<u>52,290</u>	<u>65,363</u>	<u>(13,073)</u>
Total Public Defender	<u>52,290</u>	<u>65,363</u>	<u>(13,073)</u>
Planning and Zoning			
Operating	23,350	13,345	10,005
Personnel	<u>128,700</u>	<u>130,121</u>	<u>(1,421)</u>
Total Planning and Zoning	<u>152,050</u>	<u>143,466</u>	<u>8,584</u>
Building Maintenance			
Operating	157,200	126,667	30,533
Personnel	<u>223,800</u>	<u>216,712</u>	<u>7,088</u>
Total Building Maintenance	<u>381,000</u>	<u>343,379</u>	<u>37,621</u>
Library			
Operating	300,233	179,637	120,596
Personnel	<u>254,300</u>	<u>263,967</u>	<u>(9,667)</u>
Total Library	<u>554,533</u>	<u>443,604</u>	<u>110,929</u>
Airport			
Operating	<u>45,000</u>	<u>78,266</u>	<u>(33,266)</u>
Total Airport	<u>45,000</u>	<u>78,266</u>	<u>(33,266)</u>
Other			
Operating	32,000	62,202	(30,202)
Personnel	<u>69,300</u>	<u>68,866</u>	<u>434</u>
Total Other	<u>101,300</u>	<u>131,068</u>	<u>(29,768)</u>
Total General Government	<u>5,609,373</u>	<u>5,258,103</u>	<u>351,270</u>
Public Safety			
Law Enforcement			
Operating	391,600	360,772	30,828
Personnel	<u>1,456,900</u>	<u>1,367,586</u>	<u>89,314</u>
Total Law Enforcement	<u>1,848,500</u>	<u>1,728,358</u>	<u>120,142</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Detention Center			
Operating	\$ 413,100	\$ 352,629	\$ 60,471
Personnel	<u>868,800</u>	<u>848,237</u>	<u>20,563</u>
Total Detention Center	<u>1,281,900</u>	<u>1,200,866</u>	<u>81,034</u>
Dispatch			
Operating	19,500	6,117	13,383
Personnel	<u>538,600</u>	<u>450,519</u>	<u>88,081</u>
Total Dispatch	<u>558,100</u>	<u>456,636</u>	<u>101,464</u>
Emergency Preparedness			
Operating	<u>8,900</u>	<u>6,868</u>	<u>2,032</u>
Total Emergency Preparedness	<u>8,900</u>	<u>6,868</u>	<u>2,032</u>
Emergency Preparedness Supplemental Grant			
Operating	<u>65,400</u>	<u>35,000</u>	<u>30,400</u>
Total Emergency Preparedness Supplemental Grant	<u>65,400</u>	<u>35,000</u>	<u>30,400</u>
E-911 Surcharge			
Operating	203,400	145,419	57,981
Personnel	<u>79,600</u>	<u>57,611</u>	<u>21,989</u>
Total E-911 Surcharge	<u>283,000</u>	<u>203,030</u>	<u>79,970</u>
Total Public Safety	<u>4,045,800</u>	<u>3,630,758</u>	<u>415,042</u>
Public Service			
Landfill			
Operating	88,500	91,745	(3,245)
Personnel	<u>88,800</u>	<u>91,351</u>	<u>(2,551)</u>
Total Landfill	<u>177,300</u>	<u>183,096</u>	<u>(5,796)</u>
Road Maintenance			
Operating	216,400	219,617	(3,217)
Personnel	<u>460,200</u>	<u>453,274</u>	<u>6,926</u>
Total Road Maintenance	<u>676,600</u>	<u>672,891</u>	<u>3,709</u>
CTC Funds			
Operating	<u>25,000</u>	<u>28,898</u>	<u>(3,898)</u>
Total CTC Funds	<u>25,000</u>	<u>28,898</u>	<u>(3,898)</u>
BORO Progress Energy			
Operating	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total BORO Progress Energy	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Public Services	<u>898,900</u>	<u>884,885</u>	<u>14,015</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and Recreation			
Recreation			
Operating	\$ 145,800	\$ 209,741	\$ (63,941)
Personnel	<u>207,400</u>	<u>184,618</u>	<u>22,782</u>
Total Recreation	<u>353,200</u>	<u>394,359</u>	<u>(41,159)</u>
Local Accommodations			
Operating	<u>33,000</u>	<u>30,000</u>	<u>3,000</u>
Total Local Accommodations	<u>33,000</u>	<u>30,000</u>	<u>3,000</u>
Total Culture and Recreation	<u>386,200</u>	<u>424,359</u>	<u>(38,159)</u>
Health and Environment			
Animal Shelter			
Operating	71,900	50,523	21,377
Personnel	<u>90,000</u>	<u>92,989</u>	<u>(2,989)</u>
Total Animal Shelter	<u>161,900</u>	<u>143,512</u>	<u>18,388</u>
Soil Conservation			
Personnel	<u>6,200</u>	<u>5,445</u>	<u>755</u>
Total Soil Conservation	<u>6,200</u>	<u>5,445</u>	<u>755</u>
Health and Human Services			
Operating	<u>57,500</u>	<u>51,471</u>	<u>6,029</u>
Total Health and Human Services	<u>57,500</u>	<u>51,471</u>	<u>6,029</u>
Total Health and Environment	<u>225,600</u>	<u>200,428</u>	<u>25,172</u>
Economic Development			
Economic Development			
Operating	91,600	43,592	48,008
Personnel	<u>149,000</u>	<u>72,927</u>	<u>76,073</u>
Total Economic Development	<u>240,600</u>	<u>116,519</u>	<u>124,081</u>
Other Objects			
Other			
Operating	<u>78,000</u>	<u>70,955</u>	<u>7,045</u>
Total Other Objects	<u>78,000</u>	<u>70,955</u>	<u>7,045</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, 2017
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Capital Outlay			
Delinquent Tax	\$ -	\$ 5,584	\$ (5,584)
Non-Departmental	-	36,765	(36,765)
Assessor	25,000	22,387	2,613
Road Maintenance	169,000	145,248	23,752
Planning and Zoning	-	34,405	(34,405)
Buildings & Maintenance	8,000	40,250	(32,250)
Law Enforcement	72,900	73,272	(372)
Detention Center	13,000	616	12,384
E-911 Surcharge	-	97,450	(97,450)
Total Capital Outlay	<u>287,900</u>	<u>455,977</u>	<u>(168,077)</u>
Debt Service			
Principal	148,500	133,980	14,520
Interest	-	17,191	(17,191)
Total Debt Service	<u>148,500</u>	<u>151,171</u>	<u>(2,671)</u>
Total Expenditures	<u>11,920,873</u>	<u>11,193,155</u>	<u>727,718</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,827,040)</u>	<u>(94,672)</u>	<u>1,732,368</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	5,000	3,999	(1,001)
Transfer Out	-	(22,460)	(22,460)
Transfer In	419,000	22,460	(396,540)
Transfer from Reserves	1,161,140	-	(1,161,140)
Capital Lease Proceeds	241,900	-	(241,900)
Total Other Financing Sources	<u>1,827,040</u>	<u>3,999</u>	<u>(1,823,041)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(90,673)</u>	<u>\$ (90,673)</u>
Fund Balance, Beginning of Year		<u>5,582,978</u>	
Fund Balance, End of Year		<u>\$ 5,492,305</u>	

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

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 6,593,000	\$ 6,593,000	\$ 6,976,469	\$ 383,469
Licenses, Fees and Permits	1,365,200	1,365,200	1,547,325	182,125
Intergovernmental	1,299,200	1,299,200	1,420,535	121,335
Charges for Services	1,500	1,500	250	(1,250)
Miscellaneous	<u>834,933</u>	<u>834,933</u>	<u>1,153,904</u>	<u>318,971</u>
 Total Revenues	 <u>10,093,833</u>	 <u>10,093,833</u>	 <u>11,098,483</u>	 <u>1,004,650</u>
 Expenditures				
Current:				
General Government	5,609,373	5,609,373	5,258,103	351,270
Public Safety	4,045,800	4,045,800	3,630,758	415,042
Public Service	898,900	898,900	884,885	14,015
Culture and Recreation	386,200	386,200	424,359	(38,159)
Health and Environment	225,600	225,600	200,428	25,172
Economic Development	240,600	240,600	116,519	124,081
Other Objects	78,000	78,000	70,955	7,045
Capital Outlay	287,900	287,900	455,977	(168,077)
Debt Service				
Principal	148,500	148,500	133,980	14,520
Interest	<u>-</u>	<u>-</u>	<u>17,191</u>	<u>(17,191)</u>
 Total Expenditures	 <u>11,920,873</u>	 <u>11,920,873</u>	 <u>11,193,155</u>	 <u>727,718</u>
 Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(1,827,040)</u>	<u>(1,827,040)</u>	<u>(94,672)</u>	<u>1,732,368</u>
 Other Financing Sources (Uses)				
Sale of Capital Assets	5,000	5,000	3,999	(1,001)
Transfer Out	-	-	(22,460)	(22,460)
Transfer In	419,000	419,000	22,460	(396,540)
Transfer from Reserves	1,161,140	1,161,140	-	(1,161,140)
Capital Lease Proceeds	<u>241,900</u>	<u>241,900</u>	<u>-</u>	<u>(241,900)</u>
 Total Other Financing Sources	 <u>1,827,040</u>	 <u>1,827,040</u>	 <u>3,999</u>	 <u>(1,823,041)</u>
 Net Change in Fund Balance	 <u>-</u>	 <u>-</u>	 <u>(90,673)</u>	 <u>(90,673)</u>
 Fund Balance, Beginning of Year	 <u>5,582,978</u>	 <u>5,582,978</u>	 <u>5,582,978</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 5,582,978</u>	 <u>\$ 5,582,978</u>	 <u>\$ 5,492,305</u>	 <u>\$ (90,673)</u>

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2009	\$ 95,109	\$ 82,800	87.06%	\$ 12,309
June 30, 2010	\$ 98,003	\$ 89,507	91.33%	\$ 20,805
June 30, 2011	\$ 89,621	\$ 55,941	62.42%	\$ 54,485
June 30, 2012	\$ 88,604	\$ 59,542	67.20%	\$ 83,547
June 30, 2013	\$ 87,727	\$ 65,504	74.67%	\$ 105,770
June 30, 2014	\$ 99,369	\$ 79,213	79.72%	\$ 125,926
June 30, 2015	\$ 98,592	\$ 77,839	78.95%	\$ 146,679
June 30, 2016	\$ 97,792	\$ 83,435	85.32%	\$ 161,036
June 30, 2017	\$ 89,029	\$ 63,705	71.56%	\$ 186,360

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2016	\$ -	\$ 910,102	\$ 910,102	0.00%	\$ 4,532,941	20%

**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, 2017**

SCRS	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.0413040%	0.0413350%	0.0429000%
County's proportionate share of the net pension liability (asset)	\$ 8,822,473	\$ 7,839,382	\$ 7,378,727
County's covered employee payroll	\$ 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	200.85%	196.04%	189.64%
Plan fiduciary net position as a percentage of total pension liability	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)	0.138250%	0.141890%	0.144200%
County's proportionate share of the net pension liability (asset)	\$ 3,506,752	\$ 3,092,509	\$ 2,760,375
County's covered employee payroll	\$ 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	196.47%	175.46%	159.17%
Plan fiduciary net position as a percentage of total pension liability	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, 2017**

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

Note 1. Budgets and Budgetary Accounting

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

Note 2. Legal Compliance – Budgets

The County Administrator submits a proposed operating budget for the fiscal year to the County Council. The operating budget includes proposed expenditures and the means of financing them. Prior to July 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 \$38,159 and \$168,077 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, 2017

Assets	<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>
Cash and Cash Equivalents	\$ 1,512,632	\$ 119,926	\$ 37,200	\$ 76,930	\$ -	\$ 66,146
Pooled Cash	-	-	-	-	229,927	-
Receivables	-	-	-	-	-	-
Property Taxes, Net	-	-	-	-	42,163	-
Due from Other Funds	400,000	-	75	-	11,984	-
Total Assets	<u>\$ 1,912,632</u>	<u>\$ 119,926</u>	<u>\$ 37,275</u>	<u>\$ 76,930</u>	<u>\$ 284,074</u>	<u>\$ 66,146</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities						
Due to Other Funds	\$ 10,570	\$ 16,291	\$ 270	\$ -	\$ -	\$ -
Total Liabilities	<u>10,570</u>	<u>16,291</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows						
Unavailable Revenue - Property Taxes	-	-	-	-	37,667	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,667</u>	<u>-</u>
Fund Balance						
Assigned	1,902,062	103,635	37,005	76,930	246,407	66,146
Total Fund Balance	<u>1,902,062</u>	<u>103,635</u>	<u>37,005</u>	<u>76,930</u>	<u>246,407</u>	<u>66,146</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,912,632</u>	<u>\$ 119,926</u>	<u>\$ 37,275</u>	<u>\$ 76,930</u>	<u>\$ 284,074</u>	<u>\$ 66,146</u>

MARLBORO COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2017
(Continued)

	Family Court Incentive Fund	Marshall Street Housing Rehab Fund	Rural Fire Fund	Economic Development Fund	Sheriff Drug Forfeiture	Totals
Assets						
Cash and Cash Equivalents	\$ 168,015	\$ 38,131	\$ 326,643	\$ 1,269,819	\$ 14,297	\$ 3,629,739
Pooled Cash	-	-	-	-	-	229,927
Receivables	-	-	42,581	-	-	84,744
Property Taxes, Net	-	-	13,458	-	-	425,517
Due from Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 168,015</u>	<u>\$ 38,131</u>	<u>\$ 382,682</u>	<u>\$ 1,269,819</u>	<u>\$ 14,297</u>	<u>\$ 4,369,927</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities						
Due to Other Funds	\$ -	\$ -	\$ 83,576	\$ -	\$ -	\$ 110,707
Total Liabilities	<u>-</u>	<u>-</u>	<u>83,576</u>	<u>-</u>	<u>-</u>	<u>110,707</u>
Deferred Inflows						
Unavailable Revenue - Property Taxes	-	-	37,361	-	-	75,028
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>37,361</u>	<u>-</u>	<u>-</u>	<u>75,028</u>
Fund Balance Assigned	<u>168,015</u>	<u>38,131</u>	<u>261,745</u>	<u>1,269,819</u>	<u>14,297</u>	<u>4,184,192</u>
Total Fund Balance	<u>168,015</u>	<u>38,131</u>	<u>261,745</u>	<u>1,269,819</u>	<u>14,297</u>	<u>4,184,192</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 168,015</u>	<u>\$ 38,131</u>	<u>\$ 382,682</u>	<u>\$ 1,269,819</u>	<u>\$ 14,297</u>	<u>\$ 4,369,927</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, 2017**

	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	\$ -	\$ -	\$ -	\$ -	\$ 449,655	\$ -	\$ -	\$ -	\$ 481,362	\$ -	\$ -	\$ 931,017
Vehicle Taxes - Net	-	-	-	-	102,358	-	-	-	111,560	-	-	213,918
Fee In Lieu of Taxes	-	-	-	-	142,719	-	-	-	215,341	460,572	-	818,632
Homestead Exemption	-	-	-	-	46,903	-	-	-	48,588	-	-	95,491
Manufacturer Reimbursement	-	-	-	-	11,271	-	-	-	16,693	-	-	27,964
Inventory Replacement	-	-	-	-	7,246	-	-	-	10,605	-	-	17,851
Other	-	-	-	-	165	-	-	-	242	-	-	407
Total Taxes	-	-	-	-	760,317	-	-	-	884,391	460,572	-	2,105,280
Intergovernmental Revenue												
Unit Cost	-	108,039	-	-	-	-	-	-	-	-	-	108,039
Incentive Payments	-	-	-	-	-	-	30,628	-	-	-	-	30,628
Total Intergovernmental Revenue	-	108,039	-	-	-	-	30,628	-	-	-	-	138,667
Fines and Forfeitures												
Victims Advocacy	-	-	16,363	-	-	-	-	-	-	-	-	16,363
Total Fines and Forfeitures	-	-	16,363	-	-	-	-	-	-	-	-	16,363
Miscellaneous												
Rents	372,136	-	-	-	-	-	-	-	-	-	-	372,136
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	46	-	-	-	-	-	-	-	418	-	464
Other	41,203	2,617	-	3,758	-	26,865	330	-	-	-	13,973	88,746
Total Miscellaneous	413,339	2,663	-	3,758	-	26,865	330	-	-	418	13,973	461,346
Total Revenues	413,339	110,702	16,363	3,758	760,317	26,865	30,958	-	884,391	460,990	13,973	2,721,656
Expenditures												
General Government												
Title IV-D Family Court												
Operating	-	20,571	-	-	-	-	-	-	-	-	-	20,571
Personnel	-	133,610	-	-	-	-	-	-	-	-	-	133,610
Total Title IV-D Family Court	-	154,181	-	-	-	-	-	-	-	-	-	154,181
Family Court Incentive Fund												
Operating	-	-	-	-	-	-	4,342	-	-	-	-	4,342
Forfeited Land Commission												
Operating	-	-	-	-	-	21,025	-	-	-	-	-	21,025
Law Library												
Operating	-	-	-	56	-	-	-	-	-	-	-	56
Total General Government	-	154,181	-	56	-	21,025	4,342	-	-	-	-	179,604

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

	Railroad Fund	Family Court IV-D Fund	Victims Advocacy Fund	Law Library Fund	Emergency Medical Services	Forfeited Land Commission Fund	Family Court Inpatient Fund	Monthly Street Housing Rehab Fund	Rural Fire Fund	Economic Development Fund	Short-Term Drug Penalties	Tenants
Public Safety												
Sheriff Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,212	\$ 9,212
Rural Fire Services Operating Personnel	-	-	-	-	-	-	-	497,246	23,471	-	-	497,246
Total Rural Fire Services	-	-	-	-	-	-	-	520,717	-	-	-	520,717
Victims Advocate Operating	-	16,614	-	-	-	-	-	-	-	-	-	16,614
Total Public Safety	-	16,614	-	-	-	-	-	520,717	-	-	9,212	546,543
Public Service												
Railroad Operating	29,043	-	-	-	-	-	-	-	-	-	-	29,043
Total Public Services	29,043	-	-	-	-	-	-	-	-	-	-	29,043
Health and Environment												
Emergency Medical Services Operating	-	-	-	-	690,000	-	-	-	-	-	-	690,000
Total Health and Environment	-	-	-	-	690,000	-	-	-	-	-	-	690,000
Economic Development												
Economic Development Operating	-	-	-	-	-	-	-	-	101,500	-	-	101,500
Total Economic Development	-	-	-	-	-	-	-	-	101,500	-	-	101,500
Other Objects												
Paratransit Grants Operating	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Objects	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay												
Rural Fire Sheriff	-	-	-	-	-	-	-	284,983	-	-	-	284,983
Total Capital Outlay	-	-	-	-	-	-	-	284,983	-	-	-	284,983
Debt Service												
Debt Service Principal Interest	-	-	-	-	-	-	-	17,385	2,872	-	-	17,385
Total Debt Service	-	-	-	-	-	-	-	20,257	-	-	-	20,257
Total Expenditures	29,043	16,614	16,614	36	690,000	21,025	4,342	825,960	101,500	101,500	9,212	1,851,933
Excess (Deficiency) of Revenues Over (Under) Expense	384,296	(43,479)	(231)	3,702	70,317	5,840	26,616	38,431	359,400	359,400	4,761	869,723
Other Financing Sources (Uses)												
Transfers In	-	50,000	-	-	-	-	-	-	-	-	-	50,000
Transfers Out	-	-	-	-	-	-	(50,000)	-	-	-	-	(50,000)
Total Other Financing Sources (Uses)	-	50,000	-	-	-	-	(50,000)	-	-	-	-	-
Net Change in Fund Balances	384,296	6,521	(231)	3,702	70,317	5,840	(23,384)	38,431	359,400	359,400	4,761	869,723
Fund Balances, Beginning of Year	1,517,066	97,114	37,256	73,228	1,761,090	60,306	191,299	38,121	203,314	910,329	9,526	3,514,469
Fund Balances, End of Year	1,902,062	103,635	37,025	76,930	2,464,407	66,146	167,915	38,121	261,745	1,269,729	14,287	4,184,192

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

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Local Sources:				
County Tax Appropriation	\$ -	\$ 317,438	\$ 317,438	\$ -
Fines, Fees and Gifts	<u>30,039</u>	<u>17,468</u>	<u>12,859</u>	<u>34,648</u>
Total	<u>30,039</u>	<u>334,906</u>	<u>330,297</u>	<u>34,648</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>\$ 30,039</u>	<u>\$ 409,906</u>	<u>\$ 405,297</u>	<u>\$ 34,648</u>

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

Fines and Fees and Assessments:

Magistrate Collections	\$ 292,237
Clerk of Court Collections	<u>63,411</u>
 Total Receipts	 <u><u>355,648</u></u>

Disbursements:

Retained by Treasurer	
Magistrate	158,352
Clerk of Court	21,333
Remitted to State	
Magistrate	133,885
Clerk of Court	42,078
 Total Disbursements	 <u><u>355,648</u></u>

Victim's Services:

Funds Available for Carryforward, Beginning of Year	37,499
Court Fine, Fees and Assessments Allocated to Victim Services	16,363
Victime Assistance Fund Expenditures	<u>(16,661)</u>
 Funds Available for Carryforward, End of Year	 <u><u>\$ 37,201</u></u>

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, 2017**

Assets

Cash	\$ 306,678
Property Taxes Receivable, Net	21,868
Due from Other Funds	<u>5,717</u>
Total Assets	<u>\$ 334,263</u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>\$ 19,722</u>
Total Deferred Inflows	<u>19,722</u>

Fund Balance

Restricted for Debt Service	<u>314,541</u>
Total Fund Balance	<u>314,541</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 334,263</u>

MARLBORO COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017

Revenues

Taxes

Property Taxes - Net	\$ 159,269
Vehicle Taxes - Net	44,588
Delinquent Taxes - Net	20,367
Fee in Lieu	103,803
Homestead Exemption	22,386
Manufacturer Reimbursement	5,380
Inventory Replacement	3,879
Other	<u>79</u>

Total Taxes 359,751

Licenses, Fees and Permits

Motor Carrier Fees	<u>4,146</u>
--------------------	--------------

Total Licenses, Fees and Permits 4,146

Total Revenues 363,897

Expenditures

Principal Retirement	224,674
Interest and Other Charges	<u>75,664</u>

Total Expenditures 300,338

Excess of Revenues Over Expenditures 63,559

Other Financing Sources (Uses)

Transfer to Capital Projects Fund	<u>(193,130)</u>
-----------------------------------	------------------

Total Other Financing Sources (Uses) (193,130)

Net Change in Fund Balance (129,571)

Fund Balance, Beginning of Year 444,112

Fund Balance, End of Year \$ 314,541

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, 2017**

Assets

Restricted Cash	\$ <u>70,695</u>
-----------------	------------------

Total Assets	\$ <u>70,695</u>
---------------------	-------------------------

Liabilities and Fund Balances

Liabilities

Fund Balances

Restricted for Capital Projects	\$ <u>70,695</u>
---------------------------------	------------------

Total Liabilities and Fund Balances	\$ <u>70,695</u>
--	-------------------------

**MARLBORO COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues	\$ <u> -</u>
Expenditures	
Capital Projects	<u> 16,954</u>
Total Expenditures	<u> 16,954</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u> (16,954)</u>
Other Financing Sources (Uses)	
Bond Proceeds	2,516,000
Payment to Refunding Bond Escrow Agent	(2,670,340)
Bond Issue Cost	(38,337)
Transfer from Debt Service	<u> 193,130</u>
Total Other Financing Sources (Uses)	<u> 453</u>
 Net Change in Fund Balance	 <u> (16,501)</u>
 Fund Balance, Beginning of Year	 <u> 87,196</u>
 Fund Balance, End of Year	 <u><u> 70,695</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, 2017**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 2,627,414	\$ 1,061,233
Taxes Receivable, Net	<u>957,585</u>	<u>-</u>
Total Assets	<u>\$ 3,584,999</u>	<u>\$ 1,061,233</u>
Liabilities		
Due to Other Taxing Authorities	\$ 2,627,414	\$ -
Due to General Fund	<u>-</u>	<u>319,116</u>
Total Liabilities	<u>2,627,414</u>	<u>319,116</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>957,585</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>742,117</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,061,233</u>

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash	\$ 2,894,218	\$ 53,594,867	\$ 53,861,671	\$ 2,627,414
Taxes Receivable, Net	<u>752,687</u>	<u>204,898</u>	<u>-</u>	<u>957,585</u>
Total Assets	<u>\$ 3,646,905</u>	<u>\$ 53,799,765</u>	<u>\$ 53,861,671</u>	<u>\$ 3,584,999</u>
Liabilities				
Due to Other Taxing Authorities	<u>\$ 2,964,988</u>	<u>\$ 53,594,867</u>	<u>\$ 53,932,441</u>	<u>\$ 2,627,414</u>
Total Liabilities	<u>2,964,988</u>	<u>53,594,867</u>	<u>53,932,441</u>	<u>2,627,414</u>
Deferred Inflows	<u>681,917</u>	<u>275,668</u>	<u>-</u>	<u>957,585</u>
Total Liabilities and Deferred Inflows	<u>\$ 3,646,905</u>	<u>\$ 53,870,535</u>	<u>\$ 53,932,441</u>	<u>\$ 3,584,999</u>

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

	Solicitors	County Treasurer	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Sheriff Drug Trust	Total
Assets								
Cash	\$ 115,950	\$ 1,612	\$ 33,061	\$ 571,732	\$ 69,180	\$ 249,862	\$ 19,836	\$ 1,061,233
Total Assets	\$ 115,950	\$ 1,612	\$ 33,061	\$ 571,732	\$ 69,180	\$ 249,862	\$ 19,836	\$ 1,061,233
Liabilities and Net Position								
Due to General Fund	\$ 314,416	\$ -	\$ -	\$ -	\$ 3,976	\$ 724	\$ -	\$ 319,116
Net Position	(198,466)	1,612	33,061	571,732	65,204	249,138	19,836	742,117
Total Liability and Net Position	\$ 115,950	\$ 1,612	\$ 33,061	\$ 571,732	\$ 69,180	\$ 249,862	\$ 19,836	\$ 1,061,233

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 G. 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 8, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise Marlboro County's basic financial statements and have issued our report thereon dated January 20, 2018.

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