

**LEE COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2023**

**LEE COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023**

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**LEE COUNTY, SOUTH CAROLINA
COUNTY OFFICIALS
June 30, 2023**

| | |
|----------------------------|--|
| Legislative Representative | William Wheeler |
| Lee County Council | R. Travis Windham, Chairman Gordon W. Eckley, Member Ronald Fountain, Member Keel Addison, Member Charles A. Beasley, Member Johnette M. Caughman, Member Jacqueline Josey, Member |
| County Administrator | Alan Watkins |
| Treasurer | Shirley Cook Dixon |
| Auditor | Cecil L. Stevens |
| Clerk of Court | Teresa Brown |
| Judge of Probate | Michael A. Davis |
| Master-of-Equity | Brian Doby |
| Sheriff | Daniel Simon |
| Coroner | Larry J. Logan |
| County Attorney | Paul M. Fata |
| Magistrate – Central Court | Shirley Davidson |

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

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MEREDITH A. BLAKE, CPA
JOHN F. MARTIN, CPA
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December 18, 2023

INDEPENDENT AUDITOR'S REPORT

Honorable Members of County Council
Lee County
Bishopville, South Carolina

Report of the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lee County, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lee County, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County, South Carolina, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lee County, South Carolina, and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee County, South Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lee County, South Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee County, South Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 54 the schedule of the County's proportionate share of the net pension liability, schedule of the County's contributions, schedule of the County's proportionate share in net OPEB liability, and schedule of the County's contributions on pages 55-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County, South Carolina's basic financial statements. The combining and individual non-major fund financial statements, the uniform schedule of court fines, assessments and surcharges, and schedule of expenditures of federal awards, as required by Title 2 US Code of Federal Regulations part 200, Uniform and Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and the schedule of expenditures of federal awards, the uniform schedule of court fines, assessments and surcharges are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023, on our consideration of Lee County, South Carolina's internal control over financial reporting and on our test 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 the 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 Lee County, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023**

This section presents our discussion and analysis of Lee County, South Carolina's financial performance during the fiscal year that ended June 30, 2023. 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 Lee County exceeded its liabilities at the close of the most recent fiscal year by \$17,591,515. Of this amount, \$11,863,674 was restricted, \$14,869,731 was net investment in capital assets, and the remaining resulted in a negative unrestricted net position in the amount of \$(9,141,890). As of the close of the fiscal year, Lee County's governmental funds reported ending fund balances of \$18,076,053. At the end of the fiscal year, the unassigned fund balance was \$6,212,379.

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 collection of Lee County School District taxes 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.

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(Continued)**

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

| | <u>Government-wide Statements</u> | <u>Fund Statements</u> | <u>Fiduciary Funds</u> |
|--|--|---|--|
| Scope | Entire County Government (except fiduciary funds) | The activities of the County that are not proprietary or fiduciary | Instances in which the County is the trustee or agent for another entity's resources |
| Required Financial Statements | Statement of Net Position Statement of Activities | Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances | Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of Asset/ Liability Information | All assets and liabilities, both financial and capital, and short and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short and long-term |
| Type of Inflow/ Outflow Information | All revenue and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(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. Lee 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 Lee County School District's funds. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(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 \$17,591,515 as summarized and compared to fiscal year 2022 in Table 2 below. Of the net position and net expenses of governmental type activities, the net position from governmental activities makes up 100% of total net position. Table 3, on the following page summarizes the County's changes in net position for fiscal year 2023 compared to fiscal year 2022.

Table 2. Lee County's Net Position

| | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|----------------------------------|----------------------|----------------------|---------------------|
| Assets | | | |
| Current and Other Assets | \$ 21,099,466 | \$ 23,444,667 | \$ (2,345,201) |
| Capital Assets | <u>17,152,603</u> | <u>13,689,354</u> | <u>3,463,249</u> |
| Total Assets | <u>38,252,069</u> | <u>37,134,021</u> | <u>1,118,048</u> |
| Deferred Outflows | | | |
| Prepaid Bond Payment | 794,625 | 794,375 | 250 |
| Pension Cost | 1,327,934 | 1,873,371 | (545,437) |
| OPEB | <u>186,183</u> | <u>244,365</u> | <u>(58,182)</u> |
| Total Deferred Outflows | <u>2,308,742</u> | <u>2,912,111</u> | <u>(603,369)</u> |
| Liabilities | | | |
| Other Liabilities | 1,740,906 | 1,388,767 | 352,139 |
| Long-Term Debt Outstanding | <u>18,568,547</u> | <u>18,338,435</u> | <u>230,112</u> |
| Total Liabilities | <u>20,309,453</u> | <u>19,727,202</u> | <u>582,251</u> |
| Deferred Inflows | | | |
| OPEB | 507,230 | 332,714 | 174,516 |
| Pension Cost | 564,694 | 2,050,229 | (1,485,535) |
| Grants | <u>1,587,919</u> | <u>2,799,948</u> | <u>(1,212,029)</u> |
| Total Deferred Inflows | <u>2,659,843</u> | <u>5,182,891</u> | <u>(2,523,048)</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 14,869,731 | 13,190,872 | 1,678,859 |
| Restricted | 11,863,674 | 12,711,433 | (847,759) |
| Unrestricted | <u>(9,141,890)</u> | <u>(10,766,266)</u> | <u>1,624,376</u> |
| Total Net Position | <u>\$ 17,591,515</u> | <u>\$ 15,136,039</u> | <u>\$ 2,455,476</u> |

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(Continued)**

The net position of the County increased by 16 percent during the year (\$17.59 million compared to \$15.13 million). Unrestricted net position decreased from a negative \$10.77 million at the beginning of the year to a negative \$9.14 million at the end of the year.

Table 3. Lee County's Changes in Net Position

| | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| Program Services: | | | |
| Charges for Services | \$ 7,342,724 | \$ 7,953,681 | \$ (610,957) |
| Operating Grants | 68,101 | 256,756 | (188,655) |
| Capital Grants | <u>1,802,608</u> | <u>750,043</u> | <u>1,052,565</u> |
| Total Program Services | <u>9,213,433</u> | <u>8,960,480</u> | <u>252,953</u> |
| General Revenues: | | | |
| Taxes | 10,249,219 | 9,850,359 | 398,860 |
| Miscellaneous | 652,868 | 225,844 | 427,024 |
| Intergovernmental Revenue | 2,156,408 | 1,877,545 | 278,863 |
| Gain (Loss) on Disposition of Capital Assets | <u>(85)</u> | <u>-</u> | <u>(85)</u> |
| Total General Revenues | <u>13,058,410</u> | <u>11,953,748</u> | <u>1,104,662</u> |
| Total Revenues | <u>22,271,843</u> | <u>20,914,228</u> | <u>1,357,615</u> |
| Expenses: | | | |
| General Government | 2,136,020 | 2,106,235 | 29,785 |
| Judicial | 1,124,561 | 1,008,488 | 116,073 |
| Public Safety | 6,225,777 | 5,655,830 | 569,947 |
| Culture and Recreation | 583,413 | 575,877 | 7,536 |
| Public Works | 5,434,696 | 3,060,847 | 2,373,849 |
| Boards and Commissions | 421,180 | 357,746 | 63,434 |
| Non-Departmental | 2,885,048 | 2,487,707 | 397,341 |
| Capital Outlay | 225,732 | - | 225,732 |
| Interest and Other Charges | <u>457,518</u> | <u>235,998</u> | <u>221,520</u> |
| Total Expenses | <u>19,493,945</u> | <u>15,488,728</u> | <u>4,005,217</u> |
| Change in Net Position | 2,777,898 | 5,425,500 | (2,647,602) |
| Net Position, Beginning of Year, As Restated | <u>14,813,617</u> | <u>9,710,539</u> | <u>5,103,078</u> |
| Net Position, End of Year | <u>\$ 17,591,515</u> | <u>\$ 15,136,039</u> | <u>\$ 2,455,476</u> |

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(Continued)**

Governmental Activities

Governmental activities increased the County's net position by \$2,777,898. This increase is due in part to the County's increase in intergovernmental, tax revenues and grants.

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 \$18,076,053 which is a decrease of \$1,126,062 over last year. Of this balance, the general fund makes up \$18,076,053 which is 100%. The general fund is the main operating fund for the County.

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 \$8,016,296 above the budgeted amount. Actual expenses for the general fund were \$10,222,567 over budget, and other financing sources were \$1,202,186 over budget. The change in fund balance is a decrease of \$1,126,062.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, Lee County had invested \$17,152,603 (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 and vehicle purchases and building 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.

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(Continued)**

Table 4. Lee County's Capital Assets

| | 2023 | 2022 |
|------------------------------|-------------------|-------------------|
| Land | \$ 2,291,125 | \$ 2,291,125 |
| Construction in Process | 1,445,594 | 506,867 |
| Idle Property | 2,687,800 | 2,687,800 |
| Buildings and Improvements | 7,389,815 | 8,173,191 |
| Infrastructure | 2,890,153 | 2,890,153 |
| Equipment and Furniture | 6,331,908 | 5,091,379 |
| Vehicles | 10,423,242 | 7,569,564 |
| Accumulated Depreciation | (16,307,034) | (15,520,725) |
| Total Net Capital Assets | \$ 17,152,603 | \$ 13,689,354 |

Long-term Debt

At year-end, the County had \$18,568,547 in bonds, capital leases, compensated absences, Net Pension Liability and Net OPEB Liability outstanding - as shown in Table 5 below. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements. The \$5,270,000 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 \$3,077,383 which means that the County was \$2,547,383 under the debt ceiling.

Table 5. Lee County's Outstanding Debt

| | 2023 | 2022 |
|--------------------------|-------------------|-------------------|
| General Obligation Bonds | \$ 5,270,000 | \$ 5,500,000 |
| Capital Leases | 55,287 | 176,916 |
| Compensated Absences | 344,961 | 342,896 |
| Net Pension Liability | 10,954,879 | 10,056,420 |
| Net OPEB Liability | 1,943,420 | 2,262,203 |
| Total | \$ 18,568,547 | \$ 18,338,435 |

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023
(Continued)**

NEXT YEAR'S BUDGETS

The 2023-2024 budget for Lee County General Fund expenditures is \$14,653,183. This budget contains no provision that would require an appropriation from the available fund balance.

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 Lee County Finance Office, 123 Main Street, Bishopville, South Carolina 29010.

LEE COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and Cash Equivalents | 5,314,900 |
| Restricted Cash | 13,628,839 |
| Taxes Receivable, Net | 244,272 |
| Intergovernmental Receivables | 1,911,455 |
| Capital Assets: | |
| Land | 2,291,125 |
| Construction in Progress | 1,445,594 |
| Idle Property | 2,687,800 |
| Buildings and Improvements | 7,389,815 |
| Infrastructure | 2,890,153 |
| Furniture and Equipment | 6,331,908 |
| Vehicles | 10,423,242 |
| Less: Accumulated Depreciation | (16,307,034) |
| Total Capital Assets, Net of Depreciation | 17,152,603 |
| Deferred Outflows of Resources | |
| Prepaid Bond Payment | 794,625 |
| Prepaid Pension Cost | 1,327,934 |
| Prepaid OPEB Cost | 186,183 |
| Total Deferred Outflows of Resources | 2,308,742 |
| Total Assets and Deferred Outflows of Resources | 40,560,811 |
| Liabilities | |
| Accounts Payable and Accrued Liabilities | 823,656 |
| Due to Custodial Funds | 72,603 |
| Trust Funds and Bonds | 801,157 |
| Long-Term Liabilities: | |
| Due Within One Year: | |
| General Obligation Bonds | 1,295,000 |
| Capital Lease | 55,287 |
| Compensated Absences | 344,961 |
| Due in More Than One Year: | |
| General Obligation Bonds | 3,975,000 |
| Net OPEB Obligation | 1,943,420 |
| Net Pension Liability | 10,954,879 |
| Total Liabilities | 20,309,453 |
| Deferred Inflows of Resources | |
| Unavailable Revenue - OPEB | 507,230 |
| Unavailable Revenue - Pension | 564,694 |
| Deferred Revenue | 1,587,919 |
| Total Deferred Inflows of Resources | 2,659,843 |
| Net Position | |
| Net Investment in Capital Assets | 14,869,731 |
| Restricted for: | |
| Debt Service | 885,976 |
| Capital Projects | 10,953,916 |
| Victim's Advocacy | 23,782 |
| Unrestricted | (9,141,890) |
| Total Net Position | \$ 17,591,515 |

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

**LEE COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023**

| | Program Revenues | | | Capital Grants and Contributions | (Expense) Revenue and Changes in Net Position |
|---|----------------------|--|--|--|---|
| | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | | |
| Governmental Activities | | | | | |
| General Government | \$ 2,136,020 | \$ 5,662,515 | \$ - | \$ 25,739 | \$ 3,552,234 |
| Judicial | 1,124,561 | 1,255,834 | - | - | 131,273 |
| Public Safety | 6,225,777 | 3,677,054 | 18,101 | 1,776,869 | (4,063,753) |
| Culture and Recreation | 583,413 | 57,321 | 50,000 | - | (476,092) |
| Public Works | 5,434,696 | - | - | - | (5,434,696) |
| Boards and Commissions | 421,180 | - | - | - | (421,180) |
| Non-Departmental | 2,885,048 | - | - | - | (2,885,048) |
| Capital Outlay | 225,732 | - | - | - | (225,732) |
| Interest and Other Charges | 457,518 | - | - | - | (457,518) |
| Total Governmental Activities | <u>19,493,945</u> | <u>7,342,724</u> | <u>68,101</u> | <u>1,802,608</u> | <u>(10,280,512)</u> |
| Total Primary Government | <u>\$ 19,493,945</u> | <u>\$ 7,342,724</u> | <u>\$ 68,101</u> | <u>\$ 1,802,608</u> | <u>(10,280,512)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes Levied for General Purposes | | | | | 5,842,763 |
| Property Taxes Levied for Debt Service | | | | | 1,495,191 |
| Sales and Use Tax | | | | | 2,229,522 |
| Accommodations Taxes | | | | | 188,143 |
| Hospitality Taxes | | | | | 304,058 |
| Payment in Lieu of Taxes | | | | | 189,542 |
| Miscellaneous | | | | | 652,868 |
| Intergovernmental Revenues | | | | | 2,156,408 |
| Gain (Loss) on Disposal of Assets | | | | | (85) |
| Total General Revenues | | | | | <u>13,058,410</u> |
| Change in Net Position | | | | | <u>2,777,898</u> |
| Net Position, Beginning of Year, as Restated | | | | | <u>14,813,617</u> |
| Net Position, End of Year | | | | | <u>\$ 17,591,515</u> |

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

LEE COUNTY, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023

| | General |
|---|----------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 5,314,900 |
| Restricted Cash | 13,628,839 |
| Receivables: | |
| Property Taxes, Net | 244,272 |
| Intergovernmental | 1,911,455 |
| Total Assets | 21,099,466 |
| Deferred Outflows of Resources | |
| Prepaid Bond Payment | 794,625 |
| Total Deferred Outflows of Resources | 794,625 |
| Total Assets | \$ 21,894,091 |
| Liabilities | |
| Accounts Payable and Accrued Liabilities | \$ 823,656 |
| Compensated Absences | 49,606 |
| Due to Other Funds | 72,603 |
| Due to Other Governments | 43,490 |
| Trust Funds and Bonds | 801,157 |
| Total Liabilities | 1,790,512 |
| Deferred Inflows of Resources | |
| Unavailable Revenue - Property Taxes | 153,760 |
| Unavailable Revenue - Grants | 1,873,766 |
| Total Deferred Inflows of Resources | 2,027,526 |
| Fund Balance | |
| Restricted for: | |
| Debt Service | 885,976 |
| Capital Projects | 10,953,916 |
| Victim's Advocacy | 23,782 |
| Unassigned | 6,212,379 |
| Total Fund Balance | 18,076,053 |
| Total Liabilities and Fund Balance | \$ 21,894,091 |

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

**LEE COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2023**

Total Fund Balance - Governmental Funds (Exhibit C) \$ 18,076,053

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 | 153,760 |
| Other | 285,847 |

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 is \$33,459,637 and the accumulated depreciation is \$16,307,034. 17,152,603

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

Deferred outflows of resources related to pension of \$1,327,934 equals \$587,728 deferred outflows of pension expense (from pension schedule) plus \$740,206 deferred outflows of 2023 employer contributions relating to pensions. 1,327,934

Deferred inflows of resources related to pensions (from pension schedule) (564,694)

Deferred outflows of resources related to other post employment benefits 186,183

Deferred inflows of resources related to other post employment benefits (507,230)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Long-term liabilities at year-end consist of:

| | |
|----------------------------------|------------------|
| General Obligation Bonds-Current | (1,295,000) |
| Capital Lease-Current | (55,287) |
| Net OPEB Liability | (1,943,420) |
| Net Pension Liability | (10,954,879) |
| Compensated Absences | <u>(295,355)</u> |

Total Net Position- Governmental Activities (Exhibit A) \$ 17,591,515

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

LEE COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

| | General |
|---|-------------------|
| Revenues | |
| Taxes | \$ 10,582,098 |
| Licenses, Permits, Fines and Fees | 8,008,467 |
| Intergovernmental and Other Revenue | 4,027,114 |
| Total Revenues | 22,617,679 |
| Expenditures | |
| Current: | |
| General Government | 2,197,752 |
| Judicial | 1,041,159 |
| Public Safety | 5,573,567 |
| Culture and Recreation | 543,888 |
| Public Works | 5,056,457 |
| Boards and Commissions | 391,342 |
| Non-Departmental | 2,673,516 |
| Capital Outlay | 5,859,934 |
| Debt Service: | |
| Principal | 1,488,135 |
| Total Expenditures | 24,825,750 |
| Excess of Revenues Over Expenditures | (2,208,071) |
| Other Financing Sources | |
| Interest Income | 233,986 |
| Bond Issuance Cost | (85,000) |
| Bond Proceeds | 1,055,000 |
| Total Other Financing Sources | 1,203,986 |
| Contribution to Other Governments | (121,977) |
| Net Change in Fund Balance | (1,126,062) |
| Fund Balance, Beginning of Year | 19,202,115 |
| Fund Balance, End of Year | \$ 18,076,053 |

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

LEE COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Total Net Change In Fund Balance - Governmental Funds (Exhibit E) \$ (1,126,062)

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 is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$5,109,201 exceeds depreciation expense of \$1,310,570 in the period. 3,798,631

The loss from disposition of assets has been included on the Statement of Activities, whereas these losses are not reflected in the governmental fund statements. Therefore the change in net position differs from the change in fund balance by the net carrying values of the assets disposed. (12,960)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,406,629

Bond proceeds provide current financial resources in the governmental fund statements, but the corresponding debt issuance increases long-term liabilities in the Statement of Net Position. (1,055,000)

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.
 Property taxes (332,879)

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, amounts earned exceeded the vacation used by this amount. (28,192)

Changes in the County's Net Other Post-Employment Benefit ("OPEB") liability, deferred outflows, and deferred inflows of resources related to the County's OPEB Plan Plan for the current year are not reported in the governmental funds but are reported in the statement of activities. 86,085

Governmental funds report the District's 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

| | | |
|---|--------------------|---------------|
| District pension contributions | 1,073,355 | |
| Cost of benefits earned net of employee contributions (pension expense on benefit schedule) | <u>(1,031,709)</u> | <u>41,646</u> |

Change in Net Position of Governmental Activities (Exhibit B) **\$ 2,777,898**

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

**LEE COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023**

| | <u>Custodial Funds</u> |
|---|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 2,672,597 |
| Receivables: | |
| Taxes for Other Governments | <u>72,603</u> |
| Total Assets | <u><u>2,745,200</u></u> |
| Net Position | |
| Restricted for Local Governments | <u>2,745,200</u> |
| Total Liabilities and Net Position | <u><u>\$ 2,745,200</u></u> |

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

LEE COUNTY, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

| | <u>Custodial Funds</u> |
|--|-----------------------------------|
| Additions | |
| Tax Collections for Local Governments | \$ 28,186,008 |
| Funds From State Municipality | <u>1,047,586</u> |
| | |
| Total Additions | <u><u>29,233,594</u></u> |
| | |
| Deductions | |
| Taxes and Fees Paid to Local Governments | 23,148,183 |
| Funds Disbursed for Debt and Other Payments | <u>6,295,958</u> |
| | |
| Total Deductions | <u><u>29,444,141</u></u> |
| | |
| Net Increase (Decrease) in Fiduciary Net Position | (210,547) |
| | |
| Net Position - Beginning, as Restated | <u>2,955,747</u> |
| | |
| Net Position - Ending | <u><u>\$ 2,745,200</u></u> |

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies

Lee 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, development and planning, culture and recreation, and public improvements.

The financial statements of Lee 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, 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 Lee 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

As a result of applying the criteria above, it has been determined that the County does not significantly influence the Lee County School District's operations. Therefore, it is not a component unit organization. As the Lee County School District has the authority to borrow funds, establish its budget, hire and terminate employees, enter into its own contracts and is responsible for funding its own deficits, it is construed that the Lee County School District is an independent entity and is reported as such.

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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 costs.

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 assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that 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 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 is the County's only major governmental fund.

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 administration, public safety, public works and other departments of the County are paid through the General Fund.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The County has three fiduciary activities which are custodial funds.

Custodial Funds

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

School Fund. The School Fund accounts for the School District funds, which are collected and maintained by the Lee County Treasurer.

City of Bishopville The Bishopville fund accounts for the City's funds, which are collected and distributed by Lee County Treasurer.

Town of Lynchburg The Lynchburg fund accounts for the Town's funds, which are collected and distributed by Lee County Treasurer.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects 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.

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

Basis of Accounting

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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, amounts in demand deposits, and certificates of deposits.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the County must operate within existing state statutes of the State of South Carolina, which authorizes what the County may and may not invest in.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the periodic aging of taxes 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 uncollectable.

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, 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 uncollectable.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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. Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2002. The County maintains a capitalization policy of \$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. Interest incurred during construction is not capitalized for general capital assets.

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

| | |
|-------------------------|-------------|
| Buildings | 25-50 years |
| Infrastructure | 25-50 years |
| Improvements | 10-50 years |
| Furniture and Equipment | 5-10 years |
| Vehicles | 10 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.

H. Short-term Inter-fund Receivables/Payables

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. Inter-fund balances within governmental activities are eliminated on the government-wide statement of net position.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

I. Compensated Absences

The County reports Compensated Absences in accordance with the provisions of GASB Statement No. 16 *Accounting for Compensated Absences*. The County's policies regarding vacation and sick leave are based on years of service, with a total of 12 to 18 days of vacation and 12 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 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.

J. Deferred Outflows of Resources

In addition to assets, The County reports deferred outflows of resources in a separate section of its government wide statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The County has two deferred outflows. This item is a prepaid cost related to the GASB 68 pension liability and prepaid cost related to OPEB liability.

K. Deferred Inflows of Resources

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

L. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental 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 statements in the year incurred. The long-term debt consists primarily of bonds payable, capital lease and accrued compensated absences.

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 are reported as expenditures.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

M. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets. This consists 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 laws through constitutional provisions or enabling legislation.
- c. Unrestricted net position. All other net position that does not meet the definition of “restricted” or “net investment in capital assets” are classified as unrestricted.

Fund Statements

The County classifies governmental fund balances as follows:

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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.

N. Capital Contributions

Contributions of capital on government-wide 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.

O. Inter-Fund Transactions

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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.

Q. Pension

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.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

R. Prior Period Adjustment

Governmental

| | |
|---|----------------------|
| Net Position, beginning of the year, as previously stated | \$ 15,136,039 |
| Decrease resulting from prior year sale of fixed asset | <u>(322,422)</u> |
| Net Position, beginning of the year, as Restated | <u>\$ 14,813,617</u> |

Custodial Fund

| | |
|---|---------------------|
| Fund Balance, beginning of year, as previously stated | \$ 2,876,507 |
| Increase resulting from prior equity reported incorrectly | <u>79,240</u> |
| Fund Balance, beginning of year, as Restated | <u>\$ 2,955,747</u> |

Note 2. Deposits and Investments

Deposits– Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the County’s deposits may not be recovered. The County’s deposit policy for custodial credit risk requires financial institutions to collateralize any deposit amounts above the federal depository insurance coverage limits.

As of June 30, 2023, the County had approximately \$18,878,000 cash in excess of the \$250,000 federally insured limit.

| | |
|--|---------------------|
| Uninsured by FDIC, but collateral held by pledging bank in the County’s name | <u>\$18,878,000</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 Lee 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, and additional 7% prior to March 15, and an additional 5% after March 15.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Property taxes are not included in income until they are collected except for those taxes that are collected within sixty days after the June 30 fiscal year end. The amount collected within this sixty-day period was \$90,520 and has been included in revenues and property taxes receivable in the general fund since it is considered measurable and available.

Property taxes receivable in the amount of \$244,272 are reported on the balance sheet net of an allowance for uncollectible accounts of \$34,117. Deferred revenue in the amount of \$153,760 represents the property taxes expected to be collected but that were not included in the current year collections.

Note 4. Other Receivables

Other governmental receivables at June 30, 2023, consist of intergovernmental revenues, franchise fees, landfill fees, DSS fees and grants.

Governmental funds report deferred revenue 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. At June 30, 2023, the General Fund had \$1,873,766 of unearned revenue related to funds received from CP&L for capital improvement projects and funds related to the American Rescue Plan.

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2023, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| Custodial Fund | General Fund | \$ 72,603 |

The Custodial Fund receivable is the result of the General Fund collecting Custodial Funds taxes.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 6. Capital Assets

Capital Assets activity for the year ended June 30, 2023, was as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | <u>Ending</u> |
|--------------------------------|----------------------|---------------------|--------------------|---------------------|----------------------|
| <i>Governmental Activities</i> | | | | | |
| Non-depreciable Assets: | | | | | |
| Land | \$ 2,291,125 | \$ - | \$ - | \$ - | \$ 2,291,125 |
| Construction in Progress | 506,867 | 1,413,727 | - | (475,000) | 1,445,594 |
| Idle Property | 2,687,800 | - | - | - | 2,687,800 |
| Depreciable Assets: | | | | | |
| Building and Improvements | 8,173,191 | 22,674 | - | (806,050) | 7,389,815 |
| Infrastructure | 2,890,153 | - | - | - | 2,890,153 |
| Furniture and Equipment | 5,091,379 | 1,262,129 | (21,600) | - | 6,331,908 |
| Vehicles | <u>7,569,564</u> | <u>2,410,671</u> | <u>(31,993)</u> | <u>475,000</u> | <u>10,423,242</u> |
| Totals | <u>29,210,079</u> | <u>5,109,201</u> | <u>(53,593)</u> | <u>(806,050)</u> | <u>33,459,637</u> |
| Less: Accumulated Depreciation | | | | | |
| Buildings and Improvements | (4,560,678) | (155,487) | - | 483,628 | (4,232,537) |
| Infrastructure | (1,822,096) | (146,693) | - | - | (1,968,789) |
| Furniture and Equipment | (3,996,716) | (268,050) | 8,640 | - | (4,256,126) |
| Vehicles | <u>(5,141,235)</u> | <u>(740,340)</u> | <u>31,993</u> | <u>-</u> | <u>(5,849,582)</u> |
| Totals | <u>(15,520,725)</u> | <u>(1,310,570)</u> | <u>40,633</u> | <u>483,628</u> | <u>(16,307,034)</u> |
| Governmental Activities | | | | | |
| Capital Assets, Net | <u>\$ 13,689,354</u> | <u>\$ 3,798,631</u> | <u>\$ (12,960)</u> | <u>\$ (322,422)</u> | <u>\$ 17,152,603</u> |

During the year, depreciation was charged to governmental activities as follows:

| | |
|------------------------|---------------------|
| General Government | \$ 142,326 |
| Judicial | 79,900 |
| Public Safety | 429,883 |
| Culture and Recreation | 41,557 |
| Public Works | 375,534 |
| Boards and Commissions | 29,837 |
| Non-Departmental | <u>211,533</u> |
| Total Depreciation | <u>\$ 1,310,570</u> |

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2023, are as follows:

| | | |
|---|----|-----------------------|
| Accounts Payable | \$ | 503,026 |
| Accrued Payroll, Withholdings, Fringe and Benefits | | <u>320,630</u> |
| Total Accounts Payable and Accrued Expenses- Governmental Activities | \$ | <u><u>823,656</u></u> |

Note 8. Long-Term Debt

As of June 30, 2023, the governmental long-term debt consisted of general obligation bonds, capital lease and compensated absences.

General Obligation Bonds

On July 13, 2022, the County issued Series 2022 General Obligation Bonds totaling \$1,055,000 with principal payments due in two annual payments on March 1, 2023 and March 1, 2024. Interest only payments are due each March 1 and September 1 beginning September 1, 2022. The interest rate on the bond is 2.62% with a final Maturity date of March 1, 2024.

Capital Penny Sales Tax

On July 27, 2021, the County issued Series 2021 General Obligation Bond (Capital Project Sales Tax Bond) in the amount of \$5,500,000 with annual principal and interest payments due on July 1st and interest only payments due on January 1st of each year. The bond has a maturity date of July 1, 2028. The interest rate on the bond is 1.25%.

The following is a schedule of the County's annual general obligation debt service requirements to maturity.

| Fiscal Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 1,295,000 | \$ 54,469 | \$ 1,349,469 |
| 2025 | 775,000 | 44,844 | 819,844 |
| 2026 | 785,000 | 35,094 | 820,094 |
| 2027 | 795,000 | 25,219 | 820,219 |
| 2028 | 805,000 | 15,219 | 820,219 |
| 2029 | <u>815,000</u> | <u>5,094</u> | <u>820,094</u> |
| | <u>\$ 5,270,000</u> | <u>\$ 179,939</u> | <u>\$ 5,449,939</u> |

Capital Lease

The County has entered into a lease agreement as lessee for financing the General Fund acquisition of a new equipment for the county. This lease agreement qualifies as a capital lease for accounting purposes.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

The assets acquired through capital leases are as follows:

| | | |
|--|--------|--------------------|
| Motorola | \$ | 97,600 |
| Motorgrader | | 208,468 |
| John Deere | | <u>221,142</u> |
| Total Assets Acquired through Capital Leases | \$ | <u>527,210</u> |

The future minimum lease obligations and the net present value of this lease payment as of June 30, 2023, are as follows:

| | | |
|---|--------|-------------------|
| Fiscal Year Ending June 30, 2024 | | <u>Total</u> |
| | \$ | <u>55,287</u> |
| Total minimum lease payments | | 55,287 |
| Less: amount representing interest | | <u>-</u> |
| Present value of minimum lease payments | \$ | <u>55,287</u> |

Note 9. Changes in Long-term Debt

The following is a summary of changes in long-term debt for governmental activities for the year ended June 30, 2023:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Due In One Year |
|-------------------------|-------------------------|-------------------------|---------------------------|--------------------------|--------------------|
| 2022 G.O. Bond | \$ - | \$ 1,055,000 | \$ (525,000) | \$ 530,000 | \$ 530,000 |
| 2021 Cap Penny Bond | 5,500,000 | - | (760,000) | 4,740,000 | 765,000 |
| Compensated Absences | 342,896 | 344,961 | (342,896) | 344,961 | 344,961 |
| Cap. Lease - John Deere | 110,572 | - | (55,285) | 55,287 | 55,287 |
| Cap. Lease - Motorola | <u>66,344</u> | <u>-</u> | <u>(66,344)</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,019,812</u> | <u>\$ 1,399,961</u> | <u>\$ (1,749,525)</u> | <u>\$ 5,670,248</u> | |

Note 10. Legal Debt Margin

The Legal debt margin was computed as follows at June 30, 2023:

| | | |
|--|--|-------------------------|
| Assessed Valuation-Real and Personal Property | | \$ 38,467,283 |
| Debt Limit (8% assessed valuation of taxable property) | | 3,077,383 |
| Amount of debt applicable to limit | | <u>530,000</u> |
| Debt Margin | | <u>\$ 2,547,383</u> |

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 11. Restricted Cash

Certain resources, which have been set aside for victim’s advocate, magistrate court, clerk of court, drug seizure, traffic court, probate court, delinquent tax sale, airport project, debt service reserves, road maintenance fees, local option sales tax, accommodations tax, hospitality tax, JAG grants and E911 Tariff are classified as restricted cash on the General Fund’s and Special Revenue Fund’s balance sheet because their use is limited. The amount held by the General Fund amounted to \$13,628,839 of which \$915,710 is held in accounts relating to E911.

Note 12. Trust Fund and Bail Bonds

The trust funds and bonds held by the General Fund at June 30, 2023, are as follows:

| | | |
|--------------------------------|--------|--------------------|
| Clerk of Court Bail Bonds | \$ | 100,417 |
| Clerk of Court Trust Accounts | | 153,206 |
| Probate Judge - Trust Funds | | 1,300 |
| Local Option Sales Tax Reserve | | 480,357 |
| Magistrate - Bonds and Fines | | 65,801 |
| Master in Equity - Trust Funds | | <u>76</u> |
| Total | \$ | <u>801,157</u> |

Note 13. Employee Retirement Systems

Description of the Entity- The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be 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/current annual salary. A brief summary of the benefit terms for each system is presented below.

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

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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- Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 2 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85% funded.

Required employee contribution rates for fiscal year 2022-2023 are as follows:

| SCRS | <u>Fiscal Year 2023</u> | <u>Fiscal Year 2022</u> |
|----------------------|---------------------------------|---------------------------------|
| Employee Class Two | 9.00% of earnable compensation | 9.00% of earnable compensation |
| Employee Class Three | 9.00% of earnable compensation | 9.00% of earnable compensation |
| PORS | | |
| Employee Class Two | 9.75 % of earnable compensation | 9.75 % of earnable compensation |
| Employee Class Three | 9.75 % of earnable compensation | 9.75 % of earnable compensation |

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Required employer contributions for fiscal year 2022-2023 are as follows:

| SCRS | <u>Fiscal Year 2023</u> | <u>Fiscal Year 2022</u> |
|-----------------------------------|----------------------------------|----------------------------------|
| Employee Class Two | 17.41 % of earnable compensation | 16.41 % of earnable compensation |
| Employee Class Three | 17.41 % of earnable compensation | 16.41 % of earnable compensation |
| Employer Incidental Death Benefit | 0.15 % of earnable compensation | 0.15 % of earnable compensation |
| PORS | | |
| Employee Class Two | 19.84 % of earnable compensation | 18.84 % of earnable compensation |
| Employee Class Three | 19.84 % of earnable compensation | 18.84 % of earnable compensation |
| Employer Accidental Death Program | 0.20 % of earnable compensation | 0.20 % of earnable compensation |
| Employer Incidental Death Benefit | 0.20 % of earnable compensation | 0.20 % of earnable compensation |

Actuarial Assumptions and Methods- Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

| | SCRS | PORS |
|--------------------------------------|------------------------------------|------------------------------------|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return* | 7.00% | 7.00% |
| Projected Salary Increases | 3.0% to 11.0% (varies by service*) | 3.5% to 10.5% (varies by service*) |
| Benefit Adjustments | Lessor of 1% or \$500 annually | Lessor of 1% or \$500 annually |
| <i>* Includes Inflation of 2.25%</i> | | |

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2020.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Assumptions used in the determination of the June 30, 2022, TPL are as follows:

| Former Job Class | Males | Females |
|---|--------------------------------------|--|
| Educators | 2020-PRSC – Males multiplied by 95% | 2020-PRSC – Females multiplied by 94% |
| General Employees and Members of the General Assembly | 2020-PRSC – Males multiplied by 97% | 2020-PRSC – Females multiplied by 107% |
| Public Safety and Firefighters | 2020-PRSC – Males multiplied by 127% | 2020-PRSC – Females multiplied by 107% |

Net Pension Liability- The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

| <u>System</u> | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net</u> | <u>Employers' Net Pension</u> | <u>Plan Fiduciary Net Position as of Percentage of</u> |
|---------------|--------------------------------|---------------------------|-------------------------------|--|
| SCRS | \$ 56,454,779,872 | \$ 32,212,626,932 | \$24,242,152,940 | 57.1% |
| PORS | 8,937,686,946 | 5,938,707,767 | 2,998,979,179 | 66.4% |

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

Long term expected rate of return- The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Expected Arithmetic Real Rate of Return</u> | <u>Long Term Expected Portfolio Real Rate of Return</u> |
|---------------------------------|--------------------------------|--|---|
| Public Equity* | 46.0% | 6.79% | 3.12% |
| Bonds | 26.0% | -0.35% | -0.09% |
| Private Equity* ** | 9.0% | 8.75% | 0.79% |
| Private Debt** | 7.0% | 6.00% | 0.42% |
| Real Assets | 12.0% | | |
| Real Estate** | 9.0% | 4.12% | 0.37% |
| Infrastructure** | 3.0% | 5.88% | 0.18% |
| Total Expected Return*** | 100.0% | | 4.79% |
| Inflation of Actuarial Purposes | | | 2.25% |
| | | | <u>7.04%</u> |

**RSIC Staff and Consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30% of total plan assets

***Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

Discount rate- The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis- The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6 percent) or 1.00 percent higher (8 percent) than the current rate.

| System | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---------------|--------------------------------|----------------------------------|--------------------------------|
| SCRS | \$ 10,387,368 | \$ 8,101,692 | \$ 6,201,448 |
| PORS | \$ 3,978,597 | \$ 2,853,187 | \$ 1,931,932 |

Additional Information and Actuarial Information- Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2023, the County reported a liability of \$8,101,692 for the SCRS and \$2,853,187 for the PORS for a total of \$10,954,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023, the County's proportion was 0.033420 percent for the SCRS and .095139 percent for the PORS measured as of June 30, 2022.

For the year ended June 30, 2023, the County recognized pension expense of \$(41,639), 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. At June 30, 2023, 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 | \$ - | \$ 91,710 |
| Changes of assumption | 378,651 | - |
| Net difference between projected and actual earnings on pension plan investments | 21,110 | - |
| Changes in proportionate and differences between County contributions and proportionate share of contributions | | 472,984 |
| County contributions subsequent to measurement date | 928,173 | - |
| Total | <u>\$ 1,327,934</u> | <u>\$ 564,694</u> |

The County's contributions subsequent to the measurement date of \$928,173 are reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

| Year Ended June 30: | <u>SCRS</u> | <u>PORS</u> | <u>Combined</u> |
|---------------------|--------------------|--------------------|------------------------|
| 2023 | \$ 47,608 | \$ (28,449) | \$ 19,159 |
| 2024 | 66,581 | (8,290) | 58,291 |
| 2025 | (218,357) | (158,249) | (376,606) |
| 2026 | 211,287 | 110,903 | 322,190 |
| Total | <u>\$ 107,119</u> | <u>\$ (84,085)</u> | <u>\$ 23,034</u> |

Payables to the Pension Plan- The County reported a payable to PEBA as of June 30, 2023, in the amount of \$43,390, representing required employer and employee contributions for the month

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

of June 2023 for the Plans. This amount is included in Accrued Expenses in the financial statements and was paid July 2023.

Note 14. Post-Employment Health Care Benefits

Plan Description: The County sponsors a single-employer medical insurance subsidy benefit plan (the “OPEB Plan”) that provides payments on behalf of eligible retirees to be used toward the purchase of subsidization or medical insurance provided under the County’s group plan.

Plan Benefits: Generally, retirees become eligible when the employee qualifies for the SCRS or PORS and has 28 years (SCRS) or 25 years (PORS) of service, has attained the age of 55, who has not reached Medicare eligibility and who has been a County employee for their last 20 years of service is eligible for full benefits. Under the full benefit, the County will pay the full employer portion for the retired employee only until the retiree reaches Medicare eligibility. Any retired employee who has attained the age of 60, is not Medicare eligible and who has served the County for 14 years (SCRS) and 12.5 years (PORS) will be eligible for partial benefits, which is one half of the benefit of a full benefit qualifier. Upon reaching Medicare eligibility, the retiree will be converted to the Medicare eligible benefit offered by the County at their respective benefit level. Any retiree who has reached Medicare eligibility upon retirement will receive a monthly benefit of up to \$300 for a full benefit qualifier and \$150 for a partial benefit qualifier to be used for the purchase of a Medicare supplement policy through the SC EIP. Information regarding SCRS and PORS eligibility may be found in the Comprehensive Annual Financial Report as identified in Note 15. The OPEB Plan may be changed by County Council at its discretion; the benefit and contribution requirements of the County and plan members are established and amended by County Council. These contributions are neither guaranteed nor mandatory. County Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

Plan Contributions and Funding Policies: The County’s annual other postemployment benefits (“OPEB”) cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 47. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is based on a level dollar percentage.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of the County’s Proportionate Share of the Net OPEB Liability and the Schedule of the County’s Contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information as of the County’s net OPEB liability, funded status of the OPEB Plan and the County’s contributions to the OPEB Plan.

The total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2023, actuarial valuation. The total OPEB

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

liability was rolled forward from the valuation date to the OPEB plan’s fiscal year ended June 30, 2019, using generally accepted actuarial principles.

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

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

| | |
|----------------------------|---|
| Actuarial Valuation Date: | June 30, 2023 |
| Actuarial Cost Method: | Entry Age Normal |
| Actuarial Assumptions | |
| Inflation | 2.25% |
| Investment Rate of Return: | N/A |
| Single Discount Rate: | 3.86 % as of June 30, 2023 |
| Health Care Trend Rate: | Initial trend starting at 5.75% and gradually decreasing to an ultimate trend rate of 4% over a period of 14 years. |
| Retiree Participation: | 67 retirees who are eligible for funded premiums |
| Mortality: | For healthy retirees, the 2020 Public Retirees of South Carolina Mortality Table for Males and the 2020 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on scale AA from the year 2016. Multipliers are applied to the based tables-based gender and employment type |

The liability valuation method used is market value. The actuarial consultants intend to use a smoothing method over a 5-year period with an assumed investment rate of return. The OPEB Plan’s UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2023, was 30 years.

Annual OPEB Costs and Roll forward of Net OPEB Asset: The net OPEB liability (“NOL”) is calculated separately and represents the system’s Total OPEB liability determined in accordance with GASB No. 74 less its fiduciary net position.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

NOL totals as of the June 30, 2023, measurement date is presented in the following table:

| <u>Total OPEB Liability</u> | <u>Total Covered Payroll</u> | <u>Total OPEB Liability as a Percentage of Covered Payroll</u> |
|-----------------------------|------------------------------|--|
| \$ 1,943,420 | \$ 1,435,823 | 135.35% |

As of June 30, 2023, the County reported a liability of approximately \$1,943,420 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability was determined based on the most recent actuarial valuation report as of June 30, 2023.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| | <u>(2.86%)</u> | <u>(3.86%)</u> | <u>(4.86%)</u> |
| Total OPEB Liability | \$ 2,166,242 | \$ 1,943,420 | \$ 1,755,053 |

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

| | <u>1% Decrease</u> | <u>Current Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------|--------------------|
| Total OPEB Liability | \$ 1,940,396 | \$ 1,943,420 | \$ 1,946,489 |

Note 15. Deferred Compensation Plans

Several optional deferred compensation plans are available to County employees through the State of South Carolina. Certain employees of the County have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are administered by third parties and are included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee.

Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The County has no liability for losses under the plans.

Note 16. Commitments and Contingencies

The County leased privately owned property in order to operate a municipal solid waste landfill beginning sometime prior to 1970. In 1990, Mid-American Waste Systems, Inc. (MAWS), a non-governmental corporation, assumed management and operation of this landfill. The landfill was

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

subsequently closed and capped by MAWS according to its contract with the County. This contract stated that the County was solely responsible for closure, post closure, maintenance, and other costs of the site. The County was not able to estimate future liabilities, if any. During the fiscal year, the County incurred no costs related to monitoring wells at the closed site.

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, would not be significant.

Note 17. Insurance and Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage of, and 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 were no significant reductions in coverage in the prior year.

The County paid insurance premiums to the South Carolina Division of General Services totaling \$273,524 to cover risk that may occur in normal operations. These risks include loss of real property and its contents, motor vehicles, losses due to errors and omissions and general liability. Theft and dishonesty coverage were provided by private carriers.

The County participates in a Public Entity Risk Pool for the sharing of risk associated with workers' compensation claims. The pooling agreement permits the pool to make additional assessments to its members in addition to the annual premiums. As a participant, the County paid an annual premium of \$189,126.

Note 18. 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 General Fund.

Note 19. Concentration of Fee Revenue

Mid-American Waste Systems, Inc. (MAWS), a non-governmental corporation, purchased property, constructed, and began operating a municipal solid waste landfill within the County in 1990. Since that time, this facility was sold first to Allied Waste Industries, Inc. and then again to its current owner Republic Services, Inc. The landfill is expected to continue operations until sometime after 2025 under its current permitted capacity.

During the year ended June 30, 2023, the County received \$1,572,144 in fees from a third party owned landfill. This amount accounted for 28% of total licenses, permits, fines and fees revenue and 7% of total revenue for the fiscal year.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 20. Fee in Lieu Agreements

The County has two abatement programs which result in reduced property tax collections from certain taxpayers. Lee 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 Lee 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 Lee 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 the 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 Lee 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 tax abated of \$1,107,469 in tax year 2022, reported in FY 2023 Audit Report.

According to South Carolina Department of Revenue reports, capital investment committed to in the existing FILOT agreements was \$40,388,202. This investment resulted in FILOT payments of \$480,669 to Lee County in tax year 2022; which is reported in the FY 23 Audit Report.

Note #1- the City of Bishopville received \$81,319 from the two fee agreements with South Atlantic Cannery based on their millage rate during tax year 2022, reported in FY 23 Audit Report.

Note #2- The County appropriates 20% of all fee agreements entered into after FY 2016 for Economic Development Activities. This funding is used to enhance economic development in the county which will in turn generate additional tax base and funding for the county and the school district. During FY 2023, this portion of the FILOT payments paid to Lee County was \$79,660.

Note 21. 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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Constitution. The agreement will establish how the counties will share the expenses and revenues generated by the multi-county or business park. Lee County has multi-county industrial park agreements with two South Carolina counties.

In FY 23, the total tax revenue shared with other South Carolina counties, and not distributed to Lee County taxing entities, per existing multi-county industrial park agreements was \$4,807.

Note 22. Subsequent Events

The County has evaluated subsequent events through December 18, 2023, 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.

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|------------------|-------------------|------------------------------------|
| Revenues | | | |
| Taxes | | | |
| Property | \$ 4,095,000 | \$ 4,042,423 | \$ (52,577) |
| Vehicle | 950,000 | 1,080,859 | 130,859 |
| Local Option Sales Tax | 1,230,000 | 2,229,522 | 999,522 |
| Delinquent Property | 407,500 | 315,885 | (91,615) |
| Homestead Reimbursement | 660,000 | 694,115 | 34,115 |
| Accommodations Tax | 204,000 | 188,143 | (15,857) |
| Hospitality Tax | 275,000 | 304,058 | 29,058 |
| Fee In Lieu of Tax | 173,700 | 189,542 | 15,842 |
| Penny Sales Tax | - | 1,495,191 | 1,495,191 |
| Inventory Reimbursement | <u>42,000</u> | <u>42,360</u> | <u>360</u> |
| Total Taxes | <u>8,037,200</u> | <u>10,582,098</u> | <u>2,544,898</u> |
| Licenses, Fees and Permits | | | |
| Landfill | 1,350,000 | 1,572,144 | 222,144 |
| Planning and Zoning | 47,400 | 76,442 | 29,042 |
| Administrative | 48,000 | 46,801 | (1,199) |
| Economic Development | 45,000 | 74,908 | 29,908 |
| Emergency Medical Services | 1,112,000 | 1,010,960 | (101,040) |
| Sheriff | 116,000 | 38,921 | (77,079) |
| Sumter-Lee Detention Center | 109,000 | 193,463 | 84,463 |
| Civil Defense | 22,500 | 20,000 | (2,500) |
| Probate Court | 33,970 | 44,925 | 10,955 |
| Magistrate | 280,040 | 142,040 | (138,000) |
| Clerk of Court | 146,300 | 155,709 | 9,409 |
| Master of Equity | 10,000 | 4,380 | (5,620) |
| Recreation | 48,000 | 56,031 | 8,031 |
| Library | 5,000 | 1,290 | (3,710) |
| Treasurer | 133,600 | 146,731 | 13,131 |
| Tax Collection | 41,123 | 36,005 | (5,118) |
| Assessor | 1,250 | 605 | (645) |
| Road Maintenance | 1,133,000 | 3,617,214 | 2,484,214 |
| Miscellaneous | 8,500 | 665,743 | 657,243 |
| Animal Shelter | 42,200 | 12,490 | (29,710) |
| Airport | - | 38,854 | 38,854 |
| Cable and Other Franchise Fees | <u>36,000</u> | <u>52,811</u> | <u>16,811</u> |
| Total Licenses, Permits, Fines and Fees | <u>4,768,883</u> | <u>8,008,467</u> | <u>3,239,584</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

Intergovernmental Revenue and Other Revenue:

| | | | |
|--|-------------------|-------------------|------------------|
| State Aid | \$ 860,000 | \$ 1,094,337 | \$ 234,337 |
| Election Commission | 32,000 | 28,060 | (3,940) |
| State Salary Supplements | 6,300 | 46,575 | 40,275 |
| Solid Waste, Oil and Tire Grants | 24,000 | 56,611 | 32,611 |
| Airport Grant | - | 25,739 | 25,739 |
| E-911 State Revenue | 150,000 | 185,452 | 35,452 |
| Emergency Medical Services | 1,000 | 18,101 | 17,101 |
| State Motor Carrier | 160,000 | 268,619 | 108,619 |
| State Manufacturing Exemption | 65,500 | 150,363 | 84,863 |
| Library | 150,000 | 151,487 | 1,487 |
| Recreation Department | 25,000 | 50,000 | 25,000 |
| Veteran Affairs | 4,500 | 5,066 | 566 |
| Grants | 192,000 | 1,776,869 | 1,584,869 |
| Department of Social Services | 125,000 | 118,530 | (6,470) |
| Insurance Reimbursement | - | 44,759 | 44,759 |
| Miscellaneous | - | 6,546 | 6,546 |
| | <u>1,795,300</u> | <u>4,027,114</u> | <u>2,231,814</u> |
| Total Intergovernmental and Other Revenue | <u>1,795,300</u> | <u>4,027,114</u> | <u>2,231,814</u> |
| Total Revenues | <u>14,601,383</u> | <u>22,617,679</u> | <u>8,016,296</u> |

Expenditures

General Government

| | | | |
|----------------------------|----------------|----------------|-----------------|
| County Council | | | |
| Personnel | 141,265 | 148,685 | (7,420) |
| Operating | <u>32,000</u> | <u>38,850</u> | <u>(6,850)</u> |
| Total County Council | <u>173,265</u> | <u>187,535</u> | <u>(14,270)</u> |
| County Administrator | | | |
| Personnel | 530,254 | 550,434 | (20,180) |
| Operating | <u>22,734</u> | <u>23,835</u> | <u>(1,101)</u> |
| Total County Administrator | <u>552,988</u> | <u>574,269</u> | <u>(21,281)</u> |
| County Attorney | | | |
| Personnel | 117,669 | 119,350 | (1,681) |
| Operating | <u>10,095</u> | <u>2,038</u> | <u>8,057</u> |
| Total Court Attorney | <u>127,764</u> | <u>121,388</u> | <u>6,376</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

| | | | |
|---------------------------------|------------------|------------------|-----------------|
| Airport | | | |
| Operating | \$ (4,000) | \$ 34,951 | \$ (38,951) |
| Total Airport | <u>(4,000)</u> | <u>34,951</u> | <u>(38,951)</u> |
| Planning and Zoning | | | |
| Personnel | 74,278 | 72,744 | 1,534 |
| Operating | <u>57,960</u> | <u>63,193</u> | <u>(5,233)</u> |
| Total Planning and Zoning | <u>132,238</u> | <u>135,937</u> | <u>(3,699)</u> |
| Treasurer | | | |
| Personnel | 169,399 | 152,456 | 16,943 |
| Operating | <u>41,200</u> | <u>46,142</u> | <u>(4,942)</u> |
| Total Treasurer | <u>210,599</u> | <u>198,598</u> | <u>12,001</u> |
| Delinquent Tax Collector | | | |
| Personnel | 78,683 | 74,915 | 3,768 |
| Operating | <u>109,900</u> | <u>84,800</u> | <u>25,100</u> |
| Total Delinquent Tax Collector | <u>188,583</u> | <u>159,715</u> | <u>28,868</u> |
| Auditor | | | |
| Personnel | 164,714 | 164,045 | 669 |
| Operating | <u>89,780</u> | <u>106,485</u> | <u>(16,705)</u> |
| Total Auditor | <u>254,494</u> | <u>270,530</u> | <u>(16,036)</u> |
| Assessor | | | |
| Personnel | 279,021 | 276,326 | 2,695 |
| Operating | <u>52,425</u> | <u>38,837</u> | <u>13,588</u> |
| Total Assessor | <u>331,446</u> | <u>315,163</u> | <u>16,283</u> |
| Animal Shelter | | | |
| Personnel | 85,751 | 88,504 | (2,753) |
| Operating | <u>60,000</u> | <u>111,162</u> | <u>(51,162)</u> |
| Total Animal Control | <u>145,751</u> | <u>199,666</u> | <u>(53,915)</u> |
| Total General Government | <u>2,113,128</u> | <u>2,197,752</u> | <u>(84,624)</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

Judicial

| | | | |
|------------------------|----------------|------------------|-----------------|
| Coroner | | | |
| Personnel | \$ 66,901 | \$ 102,534 | \$ (35,633) |
| Operating | <u>45,000</u> | <u>63,260</u> | <u>(18,260)</u> |
| Total Coroner | <u>111,901</u> | <u>165,794</u> | <u>(53,893)</u> |
| | | | |
| Probate Court | | | |
| Personnel | 138,684 | 162,168 | (23,484) |
| Operating | <u>14,925</u> | <u>13,207</u> | <u>1,718</u> |
| Total Probate Court | <u>153,609</u> | <u>175,375</u> | <u>(21,766)</u> |
| | | | |
| Magistrate Court | | | |
| Personnel | 281,641 | 291,384 | (9,743) |
| Operating | <u>30,600</u> | <u>27,100</u> | <u>3,500</u> |
| Total Magistrate Court | <u>312,241</u> | <u>318,484</u> | <u>(6,243)</u> |
| | | | |
| Clerk of Court | | | |
| Personnel | 299,351 | 306,153 | (6,802) |
| Operating | <u>84,160</u> | <u>39,996</u> | <u>44,164</u> |
| Total Clerk of Court | <u>383,511</u> | <u>346,149</u> | <u>37,362</u> |
| | | | |
| Master in Equity | | | |
| Personnel | 25,905 | 27,457 | (1,552) |
| Operating | <u>7,900</u> | <u>7,900</u> | <u>-</u> |
| Total Master in Equity | <u>33,805</u> | <u>35,357</u> | <u>(1,552)</u> |
| | | | |
| Total Judicial | <u>995,067</u> | <u>1,041,159</u> | <u>(46,092)</u> |

Public Safety

| | | | |
|---------------|------------------|------------------|-----------------|
| Sheriff | | | |
| Personnel | 1,549,370 | 1,495,221 | 54,149 |
| Operating | <u>284,618</u> | <u>296,369</u> | <u>(11,751)</u> |
| Total Sheriff | <u>1,833,988</u> | <u>1,791,590</u> | <u>42,398</u> |
| | | | |
| Jail | | | |
| Operating | <u>550,000</u> | <u>556,955</u> | <u>(6,955)</u> |
| Total Jail | <u>550,000</u> | <u>556,955</u> | <u>(6,955)</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

| | | | |
|-------------------------------------|------------------|------------------|-----------------|
| Rural Fire | | | |
| Personnel | \$ 570,084 | \$ 562,119 | \$ 7,965 |
| Operating | <u>239,106</u> | <u>226,911</u> | <u>12,195</u> |
| Total Rural Fire | <u>809,190</u> | <u>789,030</u> | <u>20,160</u> |
| Civil Defense | | | |
| Personnel | 141,376 | 116,853 | 24,523 |
| Operating | <u>4,700</u> | <u>29,961</u> | <u>(25,261)</u> |
| Total Civil Defense | <u>146,076</u> | <u>146,814</u> | <u>(738)</u> |
| E-911 Dispatching | | | |
| Personnel | 386,871 | 424,911 | (38,040) |
| Operating | <u>173,300</u> | <u>196,169</u> | <u>(22,869)</u> |
| Total E-911 Dispatching | <u>560,171</u> | <u>621,080</u> | <u>(60,909)</u> |
| Emergency Medical Services | | | |
| Personnel | 1,413,028 | 1,417,766 | (4,738) |
| Operating | <u>240,800</u> | <u>250,332</u> | <u>(9,532)</u> |
| Total Emergency Medical Services | <u>1,653,828</u> | <u>1,668,098</u> | <u>(14,270)</u> |
| Total Public Safety | <u>5,553,253</u> | <u>5,573,567</u> | <u>(20,314)</u> |
| Culture and Recreation | | | |
| Parks and Recreation | | | |
| Personnel | 161,108 | 137,487 | 23,621 |
| Operating | <u>52,300</u> | <u>65,678</u> | <u>(13,378)</u> |
| Total Parks and Recreation | <u>213,408</u> | <u>203,165</u> | <u>10,243</u> |
| Library | | | |
| Personnel | 207,543 | 200,653 | 6,890 |
| Operating | <u>127,800</u> | <u>140,070</u> | <u>(12,270)</u> |
| Total Library | <u>335,343</u> | <u>340,723</u> | <u>(5,380)</u> |
| Total Culture and Recreation | <u>548,751</u> | <u>543,888</u> | <u>4,863</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

Public Works

| | | | |
|----------------------------|------------------|------------------|--------------------|
| Administration | | | |
| Personnel | \$ 652,433 | \$ 634,775 | \$ 17,658 |
| Operating | <u>1,188,850</u> | <u>4,171,380</u> | <u>(2,982,530)</u> |
| Total Administration | <u>1,841,283</u> | <u>4,806,155</u> | <u>(2,964,872)</u> |
| Building Maintenance | | | |
| Personnel | 109,980 | 111,708 | (1,728) |
| Operating | <u>145,195</u> | <u>138,594</u> | <u>6,601</u> |
| Total Building Maintenance | <u>255,175</u> | <u>250,302</u> | <u>4,873</u> |
| Total Public Works | <u>2,096,458</u> | <u>5,056,457</u> | <u>(2,959,999)</u> |

Boards and Commissions

| | | | |
|---------------------------------------|----------------|----------------|-----------------|
| Election and Voter Registration | | | |
| Personnel | 119,938 | 142,293 | (22,355) |
| Operating | <u>31,032</u> | <u>42,681</u> | <u>(11,649)</u> |
| Total Election and Voter Registration | <u>150,970</u> | <u>184,974</u> | <u>(34,004)</u> |
| Economic Development | | | |
| Operating | <u>134,000</u> | <u>147,311</u> | <u>(13,311)</u> |
| Total Economic Development | <u>134,000</u> | <u>147,311</u> | <u>(13,311)</u> |
| Veterans Affairs | | | |
| Personnel | 48,194 | 49,284 | (1,090) |
| Operating | <u>7,592</u> | <u>9,773</u> | <u>(2,181)</u> |
| Total Veterans Affairs | <u>55,786</u> | <u>59,057</u> | <u>(3,271)</u> |
| Total Boards and Commissions | <u>340,756</u> | <u>391,342</u> | <u>(50,586)</u> |

Non-Departmental

| | | | |
|------------------|------------------|------------------|------------------|
| General Services | | | |
| Operating | <u>1,880,600</u> | <u>2,222,170</u> | <u>(341,570)</u> |

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2023
(Continued)

| | | | |
|--|-------------------|----------------------|-----------------------|
| Outside Agencies | | | |
| Operating | \$ 405,640 | \$ 391,092 | \$ 14,548 |
| Contract Services | | | |
| Operating | 64,500 | 60,254 | 4,246 |
| Total Non-Departmental | <u>2,350,740</u> | <u>2,673,516</u> | <u>(322,776)</u> |
| Capital Outlay | | | |
| Sheriff | - | 238,937 | (238,937) |
| Airport | - | 71,369 | (71,369) |
| General Services | - | 5,536,133 | (5,536,133) |
| Parks and Recreation | 25,000 | - | 25,000 |
| E-911 Dispatching | - | 13,495 | (13,495) |
| Total Capital Outlay | <u>25,000</u> | <u>5,859,934</u> | <u>(5,834,934)</u> |
| Debt Service | | | |
| Principal | 580,030 | 1,488,135 | (908,105) |
| Total Debt Service | <u>580,030</u> | <u>1,488,135</u> | <u>(908,105)</u> |
| Total Expenditures | <u>14,603,183</u> | <u>24,825,750</u> | <u>(10,222,567)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,800)</u> | <u>(2,208,071)</u> | <u>(2,206,271)</u> |
| Other Financing Sources (Uses) | | | |
| Interest Income | 1,800 | 233,986 | 232,186 |
| Bond Issuance Cost | - | (85,000) | (85,000) |
| Bond Proceeds | - | 1,055,000 | 1,055,000 |
| Total Other Financing Sources | <u>1,800</u> | <u>1,203,986</u> | <u>1,202,186</u> |
| Contributions to Other Governments | <u>-</u> | <u>(121,977)</u> | <u>(121,977)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>(1,126,062)</u> | <u>\$ (1,126,062)</u> |
| Fund Balance, Beginning of Year | | <u>19,202,115</u> | |
| Fund Balance, End of Year | | <u>\$ 18,076,053</u> | |

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2023**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance |
|--|-------------------------|----------------------|----------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 8,037,200 | \$ 8,037,200 | \$ 10,582,098 | \$ 2,544,898 |
| Licenses, Permits, Fines and Fees | 4,768,883 | 4,768,883 | 8,008,467 | 3,239,584 |
| Intergovernmental Revenues | <u>1,795,300</u> | <u>1,795,300</u> | <u>4,027,114</u> | <u>2,231,814</u> |
| Total Revenues | <u>14,601,383</u> | <u>14,601,383</u> | <u>22,617,679</u> | <u>8,016,296</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,113,128 | 2,113,128 | 2,197,752 | (84,624) |
| Judicial | 995,067 | 995,067 | 1,041,159 | (46,092) |
| Public Safety | 5,553,253 | 5,553,253 | 5,573,567 | (20,314) |
| Culture and Recreation | 548,751 | 548,751 | 543,888 | 4,863 |
| Public Works | 2,096,458 | 2,096,458 | 5,056,457 | (2,959,999) |
| Boards and Commissions | 340,756 | 340,756 | 391,342 | (50,586) |
| Non-Departmental | 2,350,740 | 2,350,740 | 2,673,516 | (322,776) |
| Capital Outlay | 25,000 | 25,000 | 5,859,934 | (5,834,934) |
| Debt Service: | | | | |
| Principal | <u>580,030</u> | <u>580,030</u> | <u>1,488,135</u> | <u>(908,105)</u> |
| Total Expenditures | <u>14,603,183</u> | <u>14,603,183</u> | <u>24,825,750</u> | <u>(10,222,567)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,800)</u> | <u>(1,800)</u> | <u>(2,208,071)</u> | <u>(2,206,271)</u> |
| Other Financing Sources (Uses) | | | | |
| Interest Income | 1,800 | 1,800 | 233,986 | 232,186 |
| Bond Issuance Cost | - | - | (85,000) | (85,000) |
| Bond Proceeds | <u>-</u> | <u>-</u> | <u>1,055,000</u> | <u>1,055,000</u> |
| Total Other Financing Sources | <u>1,800</u> | <u>1,800</u> | <u>1,203,986</u> | <u>1,202,186</u> |
| Contributions to Other Governments | <u>-</u> | <u>-</u> | <u>(121,977)</u> | <u>121,977</u> |
| Net Change in Fund Balance | <u>-</u> | <u>-</u> | <u>(1,126,062)</u> | <u>(1,126,062)</u> |
| Fund Balance, Beginning of Year | <u>19,202,115</u> | <u>19,202,115</u> | <u>19,202,115</u> | <u>19,202,115</u> |
| Fund Balance, End of Year | <u>\$ 19,202,115</u> | <u>\$ 19,202,115</u> | <u>\$ 18,076,053</u> | <u>\$ 18,076,053</u> |

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2023**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SCRS | | | | | | | | | |
| County's proportion of the net pension liability (asset) | 0.0334200% | 0.0398400% | 0.0340930% | 0.0357210% | 0.0363710% | 0.0379840% | 0.0373660% | 0.0370490% | 0.0377390% |
| County's proportionate share of the net pension liability (asset) | \$ 8,101,692 | \$ 7,354,593 | \$ 8,711,240 | \$ 8,156,562 | \$ 8,149,694 | \$ 8,550,809 | \$ 7,981,322 | \$ 7,026,521 | \$ 6,437,318 |
| County's covered employee payroll | \$ 4,215,297 | \$ 3,979,902 | \$ 3,841,589 | \$ 3,804,943 | \$ 2,988,410 | \$ 3,769,277 | \$ 3,832,282 | \$ 3,618,370 | \$ 3,473,751 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 52.03% | 54.11% | 44.10% | 46.65% | 36.67% | 44.08% | 48.02% | 51.50% | 53.96% |
| Plan fiduciary net position as a percentage of total pension liability | 46.05% | 48.59% | 89.71% | 95.22% | 170.02% | 170.02% | 158.69% | 139.71% | 128.00% |
| PORS | | | | | | | | | |
| County's proportion of the net pension liability (asset) | 0.0951390% | 0.1050100% | 0.1086090% | 0.1086090% | 0.1067770% | 0.107420% | 0.106550% | 0.108280% | 0.112060% |
| County's proportionate share of the net pension liability (asset) | \$ 2,853,187 | \$ 2,701,827 | \$ 3,331,056 | \$ 3,112,667 | \$ 3,025,559 | \$ 2,942,891 | \$ 2,702,588 | \$ 2,359,915 | \$ 2,145,288 |
| County's covered employee payroll | \$ 1,645,996 | \$ 1,505,659 | \$ 1,579,030 | \$ 1,518,317 | \$ 1,575,329 | \$ 1,477,948 | \$ 1,437,224 | \$ 1,358,358 | \$ 1,341,410 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 57.69% | 55.73% | 47.40% | 48.78% | 52.07% | 50.22% | 53.18% | 57.56% | 62.53% |
| Plan fiduciary net position as a percentage of total pension liability | 16.22% | 17.85% | 34.30% | 36.34% | 45.69% | 58.51% | 53.74% | 46.92% | 42.66% |

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.

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2023**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 928,173 | \$ 948,761 | \$ 885,766 | \$ 868,990 | \$ 820,704 | \$ 697,302 | \$ 647,672 | \$ 586,830 | \$ 558,522 |
| Contributions in relation to contractually required contribution | <u>928,173</u> | <u>948,761</u> | <u>885,766</u> | <u>868,990</u> | <u>820,704</u> | <u>697,302</u> | <u>647,672</u> | <u>586,830</u> | <u>558,522</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| County's covered-employee payroll | \$ 5,861,294 | \$ 5,485,561 | \$ 5,420,618 | \$ 5,323,260 | \$ 4,563,739 | \$ 5,247,225 | \$ 5,269,506 | \$ 4,976,728 | \$ 4,815,161 |
| Contributions as a percentage of covered-employee payroll | 15.84% | 17.30% | 16.34% | 16.32% | 17.98% | 13.29% | 12.29% | 11.79% | 11.60% |

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

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2023**

SCHEDULE OF THE NET OPEB LIABILITY

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| County's Proportionate Share of the Net OPEB Liability | \$ 1,943,420 | \$ 2,262,203 | \$ 2,696,207 | \$ 2,649,499 | \$ 2,264,224 | \$ 2,108,980 | \$ 2,056,540 |
| Covered Payroll* | \$ 1,435,823 | \$ 2,081,112 | \$ 2,081,112 | \$ 2,503,766 | \$ 2,503,766 | \$ 2,291,138 | \$ 2,674,675 |
| County's Proportionate Share of the Net OPEB Liability as a percentage of covered payroll | 135.35% | 108.70% | 129.56% | 105.82% | 90.43% | 92.05% | 76.89% |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 11.05% | 14.95% | 27.77% | 34.20% | 34.20% | 41.93% | 31.36% |

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

6/30/2023 Measurement Date

There was an experience inflow due to more terminations than expected and lower than expected premium increases. There was a net inflow due to assumption changes. The assumption changes are as follows:

- The discount was changed from 3.69% to 3.86% resulting in an inflow
- The medical trend was updated to the trend used in the June 30, 2021 SC OPEB Valuation resulting in an inflow
- The recommendations from the 2020 experience study for the South Carolina Retirement System (SCRS) were adopted. The following assumptions were updated: termination rates, re-retirement mortality and post-retirement mortality. Collectively, these assumptions changes resulted in a net inflow.

6/30/2022 Measurement Date

The discount rate was changed from 2.16% to 3.69% resulting in an outflow. There were no experience gains or losses and no plan changes as of the measurement date.

6/30/2021 Measurement Date

There was an experience outflow due to more early retirements than expected which was partially offset by higher turnover than expected. There was a net outflow due to assumption changes. The assumption changes are as follows:

- The discount rate was changed from 2.21% to 2.16% resulting in an outflow.
- The medical trend was updated to the June 30, 2020 State of South Carolina PEBA Retiree Health Care Plan Actuarial Valuation pursuant to GASB 74 resulting in an inflow.

6/30/2020 Measurement Date

The discount rate was changed from 3.50% to 2.21% resulting in an outflow. There were no experience gains or losses and no plan changes as of the measurement date.

6/30/2019 Measurement Date

GASB 75 was first implemented for the fiscal year ending 6/30/2019. There no assumption changes and no plan changes as of the measurement date.

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------|----------------|---------------|----------------|----------------|----------------|
| Actuarially Determined Employer Contribution (ADEC) | \$ 54,115 | \$ 91,971 | \$ 167,447 | \$ 164,833 | \$ 111,142 | \$ 151,449 |
| Contributions in relation to the ADEC | <u>140,200</u> | <u>135,079</u> | <u>98,691</u> | <u>104,153</u> | <u>109,418</u> | <u>108,612</u> |
| Annual contribution deficiency (excess) | \$ (86,085) | \$ (43,108) | \$ 68,756 | \$ 60,680 | \$ 1,724 | \$ 42,837 |
| Covered Payroll* | \$ 1,435,823 | \$ 2,081,112 | \$ 2,081,112 | \$ 2,503,766 | \$ 2,503,766 | \$ 2,291,138 |
| Actual contributions as a percentage of covered payroll | 9.76% | 6.49% | 4.74% | 4.16% | 4.37% | 4.74% |

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE REQUIRED
SUPPLEMENTAL INFORMATION
June 30, 2023

Note 1. Budgets and Budgetary Accounting

Budgets 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. All annual appropriations lapse at fiscal year-end.

Note 2. Legal Compliance – Budgets

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

During the fiscal year ending June 30, 2023, the expenditure categories of General Government, Judicial, Public Safety, Public Works, Boards and Commissions, Non-Departmental, Capital Outlay, and Debt Service had expenditures in excess of budgeted amounts of \$84,624, \$46,092, \$20,314, \$2,959,999, \$50,586, \$322,766, \$5,834,934 and \$908,105 respectively.

**LEE COUNTY, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, FEES, AND ASSESSMENTS
June 30, 2023**

| COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT | <u>General Sessions</u> | <u>Magistrate Court</u> | <u>Municipal Court</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------|----------------------------|----------------|
| Court Fines and Assessments: | | | | |
| Court fines and assessments collected | 77,194 | 269,265 | - | 346,459 |
| Court fines and assessments remitted to State Treasurer | 51,582 | 120,424 | - | 172,006 |
| Total Court Fines and Assessments retained | 25,612 | 148,841 | - | 174,453 |
| Court Surcharges: | | | | |
| Court surcharges collected | 4,045 | 45,996 | - | 50,041 |
| Court surcharges remitted to State Treasurer | 1,534 | 42,591 | - | 44,125 |
| Total Court Surcharges retained | 2,511 | 3,405 | - | 5,916 |
| Surcharges and Assessments retained for victim services: | - | | | |
| Surcharges collected and retained | 2,511 | 3,405 | - | 5,916 |
| Assessments retained | 2,204 | 13,149 | - | 15,353 |
| Total Surcharges and Assessments retained for victim services | 4,715 | 16,554 | - | 21,269 |
| FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC) | | | | |
| <u>VICTIM SERVICE FUNDS COLLECTED</u> | | <u>Municipal</u> | <u>County</u> | <u>Total</u> |
| Carryforward from Previous Year – Beginning Balance | | | 32,546 | 32,546 |
| <u>Victim Service Revenue:</u> | | | | |
| Victim Service Fines Retained by City/County Treasurer | | - | - | - |
| Victim Service Assessments Retained by City/County Treasurer | | - | 15,353 | 15,353 |
| Victim Service Surcharges Retained by City/County Treasurer | | - | 5,916 | 5,916 |
| Interest Earned | | - | - | - |
| Grant Funds Received | | | | |
| Grant from: | | - | - | - |
| General Funds Transferred to Victim Service Fund | | | | |
| <u>Contribution Received from Victim Service Contracts:</u> | | | | |
| (1) Town of | | - | - | - |
| (2) Town of | | - | - | - |
| (3) City of | | - | - | - |
| Total Funds Allocated to Victim Service Fund + Beginning Balance (A) | | - | 53,815 | 53,815 |
| <u>Expenditures for Victim Service Program:</u> | | <u>Municipal</u> | <u>County</u> | <u>Total</u> |
| Salaries and Benefits | | - | 17,409 | 17,409 |
| Operating Expenditures | | - | 12,624 | 12,624 |
| <u>Victim Service Contract(s):</u> | | | | |
| (1) Entity's Name | | - | - | - |
| (2) Entity's Name | | - | - | - |
| <u>Victim Service Donation(s):</u> | | | | |
| (1) Domestic Violence Shelter: Safe Passage Inc. | | - | - | - |
| (2) Rape Crisis Center: | | - | - | - |
| (3) Other local direct crime victims service agency: | | - | - | - |
| Transferred to General Fund | | - | - | - |
| Total Expenditures from Victim Service Fund/Program (B) | | - | 30,033 | 30,033 |
| Total Victim Service Funds Retained by Municipal/County Treasurer (A-B) | | - | 23,782 | 23,782 |
| Less: Prior Year Fund Deficit Repayment | | - | - | - |
| Carryforward Funds – End of Year | | - | 23,782 | 23,782 |

**LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
LEE COUNTY PUBLIC LIBRARY
For the Fiscal Year Ended June 30, 2023**

| | <u>Beginning Balance</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|-------------------|---------------------|---------------------------|
| Local Sources: | | | | |
| County Tax Appropriation | \$ - | \$ - | \$ - | \$ - |
| Fines, Fees and Gifts | <u>29,539</u> | <u>1,290</u> | <u>13,719</u> | <u>17,110</u> |
| Total | <u>29,539</u> | <u>1,290</u> | <u>13,719</u> | <u>17,110</u> |
| State Sources: | | | | |
| E-rate Grant | - | - | - | - |
| State Aid | <u>-</u> | <u>151,600</u> | <u>151,600</u> | <u>-</u> |
| Total | <u>-</u> | <u>151,600</u> | <u>151,600</u> | <u>-</u> |
| Federal Sources: | | | | |
| LSTA | <u>-</u> | <u>113</u> | <u>-</u> | <u>113</u> |
| Total All Sources of Funds | <u>\$ 29,539</u> | <u>\$ 153,003</u> | <u>\$ 165,319</u> | <u>\$ 17,223</u> |
| Cash | | | | <u>\$ 17,343</u> |

**LEE COUNTY, SOUTH CAROLINA
E-911 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2023**

Revenues

| | |
|-----------------------------------|-------------------|
| Intergovernmental Revenue | |
| State | \$ <u>185,452</u> |
| Total Revenues all Sources | <u>185,452</u> |

Expenditures

| | |
|------------------------------------|----------------|
| Public Safety Communications | |
| Personnel Services | 424,911 |
| General Operating | 91,471 |
| Contractual Services | <u>104,698</u> |
| Total Public Safety Communications | 621,080 |
| Total Expenditures | <u>621,080</u> |

Excess (Deficiency) of Revenues Over (Under) Expenditures (435,628)

Net Change in Fund Balance (435,628)

Fund Balance, Beginning of Year (357,048)

Fund Balance, End of Year \$ (792,676)

Financial Statement Findings (Applicable to 9-1-1 Fund)

NONE

Recommended Course of Action (Applicable to 9-1-1 Fund)

NONE

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Total Expenditures |
|---|---------------------------|-------------------------------------|-----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Direct Programs: | | | |
| Emergency Rural Health Care Program | 10.766 | | 129,414 |
| Communication Equipment Fire EMS | 10.766 | | 2,886 |
| Roll Off Containers | 10.766 | | 41,141 |
| Waste Compaction Equipment | 10.766 | | 18,671 |
| Waste Compaction Equipment | 10.766 | | 47,100 |
| Rescue and Stabilization Equipment | 10.766 | | 18,000 |
| Mechanical Chest Compression | 10.766 | | 49,800 |
| Fire EMS Communication Equipment | 10.766 | | 49,700 |
| Roll Off Containers | 10.766 | | 46,500 |
| Cardiac and Ambulance Equipment | 10.766 | | 21,072 |
| Airway Equipment | 10.766 | | 40,960 |
| Public Safety Housing | 10.766 | | 34,010 |
| Mobile Computing Equipment - Sheriff | 10.766 | | 49,400 |
| Firefighting Water Supply Equipment | 10.766 | | <u>15,031</u> |
| TOTAL U. S. DEPARTMENT OF AGRICULTURE | | | <u>563,685</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct Programs: | | | |
| Council on Aging Renovation Project | 14.218 | | <u>22,050</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | <u>22,050</u> |
| U.S. DEPARTMENT OF THE TREASURY | | | |
| Direct Programs: | | | |
| Coronavirus State and Local Fiscal Recovery Funds - ARPA | 21.027 | | * <u>1,292,559</u> |
| TOTAL U.S. DEPARTMENT OF THE TREASURY | | | <u>1,292,559</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed Through S.C. Emergency Management Division: | | | |
| Emergency Management Grant | 970.42 | N/A | <u>26,730</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | <u>26,730</u> |
| TOTAL FEDERAL AWARDS EXPENDED | | | <u>\$ 1,905,024</u> |

* Tested as Major Program

LEE COUNTY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

- Note 1. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Lee County for the year ended June 30, 2023. All federal awards received directly from federal agencies as well as those passed through other government agencies are included on the Schedule.
- Note 2. The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the County's basic financial statements.
- Note 3. Federal award expenditures are reported in the County's basic financial statements as expenditures in the General Fund.
- Note 4. Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.
- Note 5. Differences between the amount of revenue from federal awards and the related expenditures are recognized as either deferred revenue or receivables in the basic financial statements. The amounts recorded on the Schedule of Expenditures of Federal Awards agree with the amounts recorded in the basic financial statements.

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December 18, 2023

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 County Council
Lee County
Bishopville, 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, each major fund, and the aggregate remaining fund information of Lee County, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lee County, South Carolina's basic financial statements and have issued our report thereon dated December 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lee County, South Carolina's internal control over financial reporting (internal control) as a basis for designing 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 Lee County, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Lee 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be a material weakness. We consider the deficiency described in the accompany schedule of findings and responses as item 23-1 to be material weaknesses.

Report on Compliance and Other Matters

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

Lee County, South Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lee County, South Carolina's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Lee County, South Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

SHEHEEN, HANCOCK & GODWIN, LLP

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December 18, 2023

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

Honorable Members of County Council
Lee County
Bishopville, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lee County, South Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Circular Compliance Supplement* that could have a direct and material effect on each of Lee County, South Carolina's major federal programs for the year ended June 30, 2023. Lee County, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lee County, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lee County, South Carolina and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each

major federal program. Our audit does not provide a legal determination of Lee County, South Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lee County, South Carolina's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lee County, South Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lee County, South Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lee County, South Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lee County, South Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lee County, South Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a

deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

A. SUMMARY OF RESULTS

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

U.S. Department of Treasury
ARPA – CFDA 21.018
8. Type A programs are those exceeding \$750,000. Type B programs are those not exceeding \$750,000.
9. Lee County did qualify as a low-risk auditee.

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

23-1 Financial Reporting Oversight

Condition:

Management requested us to assist in identifying adjustments to the accounting records and prepare the complete year-end financial statements including related footnote disclosures in accordance with generally accepted accounting principles. The outsourcing of these services is not unusual in municipalities of the County's size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

Criteria:

The County should have a system of internal controls that would enable management to conclude that the financial statements, and the related disclosures are complete and presented in accordance with generally accepted accounting principles.

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023
(continued)

Questioned Cost:

Unknown

Recommendations:

We recommend that the County continue to evaluate the cost benefit of outsourcing these services versus incurring the internal resource cost.

View of Responsible Official and Planned Corrective Action:

Management agrees with this finding and believes that, in the best interest of the County, to continue the outsourcing of this service due to staffing and budget constraints.

C. FINDINGS RELATED TO FEDERAL AWARDS

None