

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

DRAFT - 02/01/2019

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

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**LEE COUNTY, SOUTH CAROLINA  
COUNTY OFFICIALS  
June 30, 2018**

Legislative Representative	William Wheeler
Lee County Council	R. Travis Windham, Chairman Gordon W. Eckley, Member David Addison, Member Ronald Fountain, Member Charles A. Beasley, Member Johnette M. Caughman, Member Jacqueline Josey, Member
County Administrator	Alan Watkins
Treasurer	H. Wayne Capell
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	Joseph Scarborough

DRAFT - 02/01/2019

January 28, 2019

INDEPENDENT AUDITOR'S REPORT

Honorable Members of County Council  
Lee County  
Bishopville, South Carolina

***Report on the Financial Statements***

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lee County, South Carolina, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4 through 11 and 54, the schedule of County's proportionate share of the net pension liability, schedule of county contributions, schedule of funding progress and employer contributions, schedule of the change in net OPEB liability, schedule of the net OPEB liability and schedule of employer contributions on pages 55-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County, South Carolina's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the combining and individual non-major fund financial are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2018, on our consideration of Lee County, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee County, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

DRAFT - 02/01/2019

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

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

**FINANCIAL HIGHLIGHTS**

The assets of Lee County exceeded its liabilities at the close of the most recent fiscal year by \$5,029,351. Of this amount, \$2,128,950 was restricted, \$9,151,841 was net investment in capital assets, and the remaining resulted in a negative unrestricted net position in the amount of \$6,251,440. As of the close of the fiscal year, Lee County's governmental funds reported ending fund balances of \$7,922,288. At the end of the fiscal year, the unassigned fund balance was \$5,793,338.

**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, 2018  
(Continued)**

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

	Government-wide <u>Statements</u>	<u>Fund Statements</u>	
		<u>Government Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for 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, 2018  
(Continued)**

**Government-Wide Statements**

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

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

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

The government-wide financial statements of the County consist solely of governmental activities. 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, 2018  
(Continued)**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Net Position:** The County's net position at the end of the current fiscal year was \$5,029,351 as summarized and compared to fiscal year 2017 in Table 2 below. Of the net position and net expenses of governmental type activities, the net position from governmental activities make up 100 % of total net position. Table 3, on the following page summarizes the County's changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2. Lee County's Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$ 10,373,693	\$ 10,810,317	\$ (436,624)
Capital Assets	<u>11,291,757</u>	<u>11,361,545</u>	<u>(69,788)</u>
<b>Total Assets</b>	<u>21,665,450</u>	<u>22,171,862</u>	<u>(506,412)</u>
<b>Deferred Outflows</b>			
Pension Cost	<u>2,088,321</u>	<u>1,205,632</u>	<u>882,689</u>
<b>Liabilities</b>			
Other Liabilities	-	1,976,015	(1,976,015)
Long-Term Debt Outstanding	<u>16,628,434</u>	<u>14,727,643</u>	<u>1,900,791</u>
<b>Total Liabilities</b>	<u>16,628,434</u>	<u>16,703,658</u>	<u>(75,224)</u>
<b>Deferred Inflows</b>			
Pension Cost	<u>72,668</u>	<u>115,878</u>	<u>(43,210)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	9,151,841	8,306,273	845,568
Restricted	641,461	1,846,141	(1,204,680)
Unrestricted	<u>(4,763,951)</u>	<u>(3,594,456)</u>	<u>(1,169,495)</u>
<b>Total Net Position</b>	<u>\$ 5,029,351</u>	<u>\$ 6,557,958</u>	<u>\$ (1,528,607)</u>

The net position of the County decreased by 23 percent during the year (\$5.03 million compared to \$6.5 million). Unrestricted net position increased from a negative \$3.59 million at the beginning of the year to a negative \$6.25 million at the end of the year.

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

Table 3. Lee County's Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program Services:			
Charges for Services	\$ 3,475,500	\$ 3,486,500	(11,000)
Operating Grants	40,925	25,056	15,869
Capital Grants	<u>60,000</u>	<u>103,437</u>	<u>(43,437)</u>
Total Program Services	<u>3,576,425</u>	<u>3,614,993</u>	<u>(38,568)</u>
General Revenues:			
Taxes	7,934,326	8,197,952	(263,626)
Miscellaneous	221,370	470,169	(248,799)
Intergovernmental Revenue	1,917,027	1,650,285	266,742
Investment Earnings	10,909	10,185	724
Gain (Loss) on Disposition of Capital Assets	<u>(16,359)</u>	<u>(116,123)</u>	<u>99,764</u>
Total General Revenues	<u>10,067,273</u>	<u>10,212,468</u>	<u>(145,195)</u>
Total Revenues	<u>13,643,698</u>	<u>13,827,461</u>	<u>(183,763)</u>
Expenses:			
General Government	1,999,887	2,653,244	(653,357)
Judicial	946,306	932,483	13,823
Public Safety	5,483,202	5,624,725	(141,523)
Culture and Recreation	496,886	495,778	1,108
Public Works	1,428,871	1,424,071	4,800
Boards and Commissions	230,808	397,297	(166,489)
Non-Departmental	2,191,383	2,195,171	(3,788)
Capital Outlay	122,290	-	122,290
Interest and Other Charges	<u>67,353</u>	<u>91,450</u>	<u>(24,097)</u>
Total Expenses	<u>12,966,986</u>	<u>13,814,219</u>	<u>(847,233)</u>
Change in Net Position	676,712	13,242	<u>663,470</u>
Net Position, Beginning of Year - As Restated	<u>4,352,639</u>	<u>6,544,716</u>	<u>(2,192,077)</u>
Net Position, End of Year	<u>\$ 5,029,351</u>	<u>\$ 6,557,958</u>	<u>(1,528,607)</u>

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

**Governmental Activities**

Governmental activities increased the County's net position by \$676,712. This increase is due in part to the County's increase in intergovernmental and miscellaneous revenue.

**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 \$7,922,288 which is a decrease of \$240,103 over last year. Of this balance, the general fund makes up \$7,922,288 or roughly 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 \$1,389,814 above the budgeted amount. Actual expenses for the general fund were \$1,883,894 over budget, and other financing sources were \$252,534 over budget. The change in fund balance is a decrease of \$240,103 which is mainly due to addition of Capital Lease Proceeds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At year-end, Lee County had invested \$11,291,757 (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 infrastructure improvements that were begun and completed during the year.

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

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

Table 4. Lee County's Capital Assets

	<u>2018</u>	<u>2017</u>
Land	2,083,033	2,083,033
Construction in Process	-	9,000
Buildings and Improvements	7,980,425	7,991,535
Infrastructure	2,890,153	2,651,856
Equipment and Furniture	4,798,091	4,112,039
Vehicles	6,054,225	6,054,225
Accumulated Depreciation	<u>(12,514,170)</u>	<u>(11,540,143)</u>
 Total Net Capital Assets	 <u>\$ 11,291,757</u>	 <u>\$ 11,361,545</u>

*Long-term Debt*

At year-end, the County had \$3,025,754 in bonds, capital leases, compensated absences 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. Only \$779,611 of the \$2,729,610 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 \$2,891,116 which means that the County was \$2,111,505 under the debt ceiling.

Table 5. Lee County's Outstanding Debt

	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 2,086,000	\$ 3,248,000
Capital Leases	643,610	481,193
Compensated Absences	<u>296,144</u>	<u>314,540</u>
 Total	 <u>\$ 3,025,754</u>	 <u>\$ 4,043,733</u>

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

**NEXT YEAR'S BUDGETS**

The 2018-2019 budget for Lee County General Fund expenditures is \$12,654,076. 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.

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**LEE COUNTY, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 3,639,195
Restricted Cash	5,650,572
Taxes Receivable, Net	182,385
Intergovernmental Receivables	901,541
Capital Assets:	
Land	2,083,033
Buildings and Improvements	7,980,425
Infrastructure	2,890,153
Furniture and Equipment	4,798,091
Vehicles	6,054,225
Less: Accumulated Depreciation	(12,514,170)
Total Capital Assets, Net of Depreciation	11,291,757
<b>Deferred Outflows of Resources</b>	
Prepaid Pension Cost	2,088,321
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 23,753,771</b>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	-
Due to Agency Funds	-
Fines Due to Other Governments	-
Trust Funds and Bonds	-
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds	776,000
Capital Lease	132,710
Compensated Absences	296,144
Due in More Than One Year:	
General Obligation Bonds	1,310,000
Capital Lease	510,900
Net OPEB Obligation	2,108,980
Net Pension Liability	11,493,700
Total Liabilities	16,628,434
<b>Deferred Outflows of Resources</b>	
Unavailable Revenue - Pension	72,668
<b>Net Position</b>	
Net Investment in Capital Assets	9,151,841
Restricted for:	
Debt Service	641,461
Capital Projects	-
Unrestricted	(4,763,951)
<b>Total Net Position</b>	<b>\$ 5,029,351</b>

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, 2018**

	Program Revenues				(Expense)Revenue and Changes in Net Position
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 1,999,887	\$ 1,780,521	\$ -	\$ -	\$ (219,366)
Judicial	946,306	1,278,137	-	-	331,831
Public Safety	5,483,202	386,387	18,289	60,000	(5,018,526)
Culture and Recreation	496,886	30,455	22,636	-	(443,795)
Public Works	1,428,871	-	-	-	(1,428,871)
Boards and Commissions	230,808	-	-	-	(230,808)
Non-Departmental	2,191,383	-	-	-	(2,191,383)
Capital Outlay	122,290	-	-	-	(122,290)
Interest and Other Charges	67,353	-	-	-	(67,353)
	12,966,986	3,475,500	40,925	60,000	(9,390,561)
<b>Total Governmental Activities</b>					
	\$ 12,966,986	\$ 3,475,500	\$ 40,925	\$ 60,000	(9,390,561)
<b>Total Primary Government</b>					
	\$ 12,966,986	\$ 3,475,500	\$ 40,925	\$ 60,000	(9,390,561)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					5,488,640
Property Taxes Levied for Debt Service					800,626
Sales and Use Tax					1,127,818
Accommodations Taxes					203,742
Hospitality Taxes					252,462
Payment in Lieu of Taxes					61,038
Miscellaneous					221,370
Unrestricted Investment Earnings					10,909
Intergovernmental Revenues					1,917,027
Gain (Loss) on Disposal of Assets					(16,359)
					10,067,273
<b>Total General Revenues</b>					10,067,273
<b>Change in Net Position</b>					676,712
<b>Net Position, Beginning of Year - As Restated</b>					4,352,639
<b>Net Position, End of Year</b>					\$ 5,029,351

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

**LEE COUNTY, SOUTH CAROLINA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2018**

	General
<b>Assets</b>	
Cash and Cash Equivalents	\$ 3,639,195
Restricted Cash	5,650,572
Receivables:	
Property Taxes, Net	182,385
Intergovernmental	901,541
<b>Total Assets</b>	<b>\$ 10,373,693</b>
 <b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ 585,704
Compensated Absences	38,857
Due to Agency Funds	132,190
Fines and Assessments Due to Other Governments	1,091
Trust Funds and Bonds	1,304,333
 Total Liabilities	 2,062,175
 <b>Deferred Inflows of Resources</b>	
Unavailable Tax Revenue - Property Taxes	119,509
Unavailable Revenue - Grants	269,721
 Total Deferred Inflows of Resources	 389,230
 <b>Fund Balance</b>	
Restricted for:	
Debt Service	641,461
Capital Projects	1,487,489
Unassigned	5,793,338
 Total Fund Balance	 7,922,288
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 10,373,693</b>

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, 2018**

<b>Total Fund Balance - Governmental Funds (Exhibit C)</b>	\$	-
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		
Property Taxes		119,509
Other		269,722
<p>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 \$22,901,688 and the accumulated depreciation is \$11,540,143</p>		
		11,291,757
<p>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 \$2,088,321 equals \$1,340,144 deferred outflows of pension expense (from pension schedule) plus \$748,177 deferred outflows of 2018 employer contributions relating to pensions</p>		
		2,088,321
<p>Deferred inflows of resources related to pensions (from pension schedule)</p>		
		(72,668)
<p>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:</p>		
General Obligation Bonds		(1,310,000)
General Obligation Bonds-Current		(776,000)
Capital Lease		(510,900)
Capital Lease-Current		(132,710)
Net OPEB Liability		(2,108,981)
Net Pension Liability		(11,493,700)
Compensated Absences		(296,144)
<b>Total Net Position- Governmental Activities (Exhibit A)</b>	<b>\$</b>	<b><u>(2,931,794)</u></b>

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 BALANCE - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	General
<b>Revenues</b>	
Taxes	\$ 8,065,275
Licenses, Permits, Fines and Fees	3,696,872
Intergovernmental and Other Revenue	2,017,952
 Total Revenues	 13,780,099
 <b>Expenditures</b>	
Current:	
General Government	1,858,273
Judicial	864,059
Public Safety	5,093,695
Culture and Recreation	458,864
Public Works	1,308,908
Boards and Commissions	210,899
Non-Departmental	2,002,362
Capital Outlay	1,167,114
Debt Service:	
Principal	1,245,303
Interest	67,269
 Total Expenditures	 14,276,746
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>	 (496,647)
 <b>Other Financing Sources</b>	
Interest Income	10,909
Capital Lease Proceeds	245,635
 Total Other Financing Sources	 256,544
 <b>Net Change in Fund Balance</b>	 (240,103)
 <b>Fund Balance, Beginning of Year - As Restated</b>	 8,162,391
 <b>Fund Balance, End of Year</b>	 \$ 7,922,288

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 BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT ACTIVITIES  
For the Fiscal Year Ended June 30, 2018**

**Total Net Change In Fund Balance - Governmental Funds (Exhibit E)** \$ (14,020,202)

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 depreciation expense of \$1,098,253 exceeds capital outlay of \$1,044,824 in the period. (53,430)

The loss from disposition of assets has been included on the Statement of Activities, whereas these gains 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 vales of the assets disposed. (16,360)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,245,218

Capital lease proceeds are provide current financial resources in the governmental fund statements, but the corresponding debt issuance increases long-term liabilities in the Statement of Net Position. (245,635)

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 (130,946)

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, vacation used exceeded the amounts earned by this amount. 1,859

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	697,302	
Cost of benefits earned net of employee contributions (pension expense on benefit schedule)	<u>(581,193)</u>	<u>116,109</u>

**Change in Net Position of Governmental Activities (Exhibit B)** \$ (13,103,387)

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

**LEE COUNTY, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,539,972
Due From General Fund	<u>132,190</u>
<b>Total Assets</b>	<u><u>2,672,162</u></u>
<b>Liabilities</b>	
Due to Schools	<u>2,672,162</u>
<b>Total Liabilities</b>	<u><u>\$ 2,672,162</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, 2018**

**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, 2018**  
**(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 cost.

*Fund Financial Statements*

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its 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, 2018**  
**(Continued)**

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The County only has one fiduciary fund which is an agency fund.

***Agency Funds***

Agency 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 one agency fund as follows:

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

Agency 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 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.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

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.

**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.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

*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.

**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.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

**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 only has one deferred outflow item. This item is a prepaid cost related to the GASB 68 pension 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 60days 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.

**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 law through constitutional provisions or enabling legislation.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

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

*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 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.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

**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.

**R. Prior Period Adjustment**

**Governmental**

Net Position, beginning of the year, as previously stated	\$6,557,958
Decrease resulting from overstated revenue in June 30, 2017	(20,525)
Decrease resulting from recognition of net OPEB liability costs related to GASB Statement No. 75	<u>(2,184,794)</u>
Net Position, end of the year, as restated	<u>\$4,352,639</u>

**General Fund**

Fund Balance, beginning of year, as previously stated	\$8,182,916
Decrease resulting from overstated revenue in June 30, 2017	<u>(20,525)</u>
Fund Balance, end of year, as restated	<u>\$8,162,391</u>

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

**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, 2018, \$8,017,844 of the County's bank balance of \$8,786,603 which has a carrying value of \$9,288,042 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the County’s name	<u>\$8,017,844</u>
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***Investments***

As of June 30, 2018, the County had the following investment and maturity, which is included in cash and cash equivalents:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Yr.</u>
Repurchase Agreement	Unrated	\$3,603,459	\$3,603,459

*Interest Rate Risk* – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

*Custodial Credit Risk for Investments* – Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2018, \$3,603,459 of the County’s investment was exposed to custodial credit risk.

*Concentration of Credit Risk for Investments* – The County places no limit on the amount invested in any one issuer. Investments issued by or explicitly guaranteed by the U.S.

Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

**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.

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

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.

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 \$49,691 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 \$182,385 are reported on the balance sheet net of an allowance for uncollectible accounts of \$39,172. Deferred revenue in the amount of \$119,510 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, 2018, 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, 2018, the General Fund had \$269,722 of unearned revenue related to funds received from CP&L for capital improvement projects.

**Note 5. Inter-fund Receivables and Payables**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	General Fund	132,190

The Agency Fund receivable is the result of the General Fund collecting Agency Fund taxes.



**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
**(Continued)**

**Note 6. Capital Assets**

Capital Assets activity for the year ended June 30, 2018, 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	\$ 2,083,033	\$ -	\$ -	\$ -	\$ 2,083,033
Construction in Progress	9,000	-	(9,000)	-	-
Depreciable Assets:					
Building and Improvements	7,991,535	-	(11,110)	-	7,980,425
Infrastructure	2,651,856	238,297	-	-	2,890,153
Furniture and Equipment	4,112,039	806,527	(120,475)	-	4,798,091
Vehicles	<u>6,054,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,054,225</u>
Totals	<u>22,901,688</u>	<u>1,044,824</u>	<u>(140,585)</u>	<u>-</u>	<u>23,805,927</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(3,391,288)	(276,430)	3,751	-	(3,663,967)
Infrastructure	(1,091,981)	(142,051)	-	-	(1,234,032)
Furniture and Equipment	(2,913,483)	(291,664)	120,475	-	(3,084,672)
Vehicles	<u>(4,143,391)</u>	<u>(388,108)</u>	<u>-</u>	<u>-</u>	<u>(4,531,499)</u>
Totals	<u>(11,540,143)</u>	<u>(1,098,253)</u>	<u>124,226</u>	<u>-</u>	<u>(12,514,170)</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,361,545</u>	<u>\$ (53,429)</u>	<u>\$ (16,359)</u>	<u>\$ -</u>	<u>\$ 11,291,757</u>

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

General Government	\$ 160,041
Judicial	81,566
Public Safety	480,840
Culture and Recreation	43,316
Public Works	123,560
Boards and Commissions	19,909
Non-Departmental	<u>189,021</u>
Total Depreciation	<u>\$ 1,098,253</u>

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**Note 7. Accounts Payable and Accrued Expenses**

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

Accounts Payable	\$	283,294
Accrued Payroll, Withholdings, Fringe and Benefits		<u>302,410</u>
 Total Accounts Payable and Accrued Expenses- Governmental Activities	 \$	 <u>585,704</u>

**Note 8. Long-Term Debt**

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

*General Obligation Bonds*

On July 10, 2013, the County issued Series 2013 General Obligation Bond (Capital Project Sales Tax Referendum) in the amount of \$4,935,000 with annual principal and interest payments due on May 1<sup>st</sup> and interest only payments due on November 1<sup>st</sup> of each year. The bond has a maturity date of 2021. The interest rate on the bond is 1.72%.

On December 10, 2014, the County issued Series 2014 General Obligation Bonds totaling \$621,000 with principal payments and interest payments due semiannual on March 1st. Interest only payments are due on September 1st of each year. The interest rate on the bond is 1.79% with a final Maturity date of March 1, 2019.

On July 27, 2016, the County issued Series 2016 General Obligation Bonds totaling \$600,000 with principal payments and interest payments due semiannual on March 1<sup>st</sup>. Interest only payments are due on September 1<sup>st</sup> of each year. The interest rate on the bond is 1.08% with a final Maturity date of March 1, 2018.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	776,000	36,891	812,891
2020	650,000	22,532	672,532
2021	660,000	11,352	671,352
	<u>\$ 2,086,000</u>	<u>\$ 70,775</u>	<u>\$ 2,156,775</u>

*Capital Lease*

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

The assets acquired through capital leases are as follows:

Equipment	145,000
Telephone System	37,000
Hurst eDraulics	20,288
Motorgrader	220,267
Motorgrader	208,467
John Deere	<u>245,635</u>
 Total Assets Acquired through Capital Leases	 <u><u>\$ 876,657</u></u>

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The future minimum lease obligations and the net present value of this lease payment as of June 30, 2018, are as follows:

Fiscal Year Ending	<u>June 30,</u>	<u>Total</u>
2019	172,754	172,754
2020	165,347	165,347
2021	221,787	221,787
2022	<u>109,777</u>	<u>109,777</u>
Total minimum lease payments	669,665	669,665
Less: amount representing interest	<u>(27,054)</u>	<u>(27,054)</u>
Present value of minimum lease payments	<u>\$ 642,611</u>	<u>\$ 642,611</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, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due In</u> <u>One Year</u>
2013 G.O. Bond	2,575,000	-	(625,000)	1,950,000	640,000
2014 G.O. Bond	553,000	-	(417,000)	136,000	136,000
2016 G.O. Bond	120,000	-	(120,000)	-	-
Compensated Absences	314,540	296,144	(314,540)	296,144	296,144
Cap. Lease - Equipment	102,348	-	(28,572)	73,776	29,103
Cap. Lease - Hurst eDraul	13,872	-	(6,783)	7,089	7,088
Cap. Lease - Tele. Sys.	5,149	-	(5,149)	-	-
Cap. Lease - Motorgrader	160,264	-	(20,859)	139,405	21,537
Cap. Lease - Motorgrader	199,560	-	(21,854)	177,706	22,541
Cap. Lease - John Deere	<u>-</u>	<u>244,635</u>	<u>-</u>	<u>244,635</u>	<u>81,545</u>
<b>Total</b>	<u>\$ 4,043,733</u>	<u>\$ 540,779</u>	<u>\$ (1,559,757)</u>	<u>\$ 3,024,755</u>	

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**Note 10. Legal Debt Margin**

The Legal debt margin was computed as follows at June 30, 2018:

Assessed Valuation-Real and Personal Property	\$ 36,138,954
Debt Limit (8% assessed valuation of taxable property)	2,891,116
Amount of debt applicable to limit	<u>(779,611)</u>
Debt Margin	<u>\$ 2,111,505</u>

**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 \$5,640,572.

**Note 12. Trust Fund and Bail Bonds**

The trust funds and bonds held by the General Fund at June 30, 2018, are as follows:

Clerk of Court Bail Bonds	\$ 92,270
Clerk of Court Trust Accounts	1,129,111
Probate Judge - Trust Funds	95
Local Option Sales Tax Reserve	18,776
Magistrate - Bonds and Fines	64,004
Master in Equity - Trust Funds	<u>77</u>
Total	<u>\$ 1,304,333</u>

**Note 13. Employee Retirement Systems**

*Description of the Entity-* The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA

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Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

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

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

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

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

*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

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Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

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

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

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

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to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

*Contributions-* Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, The PEBA Board may adopt and present to the Budget and Control Board for approval and increase the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent.



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

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

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

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

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

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

*Actuarial Assumptions and Methods-* Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic reviews, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each

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five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

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

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

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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

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Former Job Class	Males	Females
Educators and Judges	2016-PRSC – Males Multiplied by 92%	2016-PRSC – Females multiplied by 98%
General Employees and Members of the General Assembly	2016-PRSC – Males multiplied by 100%	2016-PRSC – Females multiplied by 111%
Public Safety, Firefighters and members of the South Carolina National Guard	2016-PRSC – Males multiplied by 125%	2016-PRSC – Females multiplied by 111%

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

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

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

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

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

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Tern Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45%</b>		
Global Public Equity	31%	6.72%	2.08%
Private Equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
<b>Real Assets</b>	<b>8%</b>		
Real Estate (Private)	5%	4.32%	0.22%
Real Estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
<b>Opportunistic</b>	<b>17%</b>		
GTAA/Risk Parity	10%	3.90%	0.42%
Hedge Funds (non-PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18%</b>		
Mixed Credit	6%	3.92%	0.24%
Emerging Markets Debt	5%	5.01%	0.25%
Private Debt	7%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12%</b>		
Core Fixed Income	10%	1.60%	0.16%
Cash and Short Duration (Net)	<u>2%</u>	0.92%	<u>0.02%</u>
<b>Total Expected Return</b>	100%		5.32%
<b>Inflation for Acturial Purposes</b>			<u>2.25%</u>
<b>Total Expected Nominal Return</b>			<u>7.57%</u>

Discount rate- The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b>System</b>			
<b>SCRS</b>	\$ 11,020,819	\$ 8,550,809	\$ 7,052,094
<b>PORS</b>	\$ 3,973,463	\$ 2,942,891	\$ 2,131,123

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

*Payables to the Pension Plan-* The County reported a payable to the SCRS as of June 30, 2018, in the amount of \$13,891.

**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. Employees become eligible when the employee qualifies for the SCRS or PORS and has 14 years (SCRC) or 12.5 years (PORS) or more of service with the County. Any retired employee who 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.

As of July 1, 2017, the most recent plan evaluation, there were 106 covered participants; twenty seven (27) members are retirees and spouses receiving benefits and 79 are active participants and dependents.

*Funding Policy:* Any employee who retires and meets the requirements for retirement in the SCRS, is eligible to participate in the Lee County Retiree Benefit Program. The SCRS program allows retirement at the earlier of 28 years of service or age 55 with 25 years of service. Retirees participate in the same health care plan as the active employees (with the additional option of a Medicare Supplement Plan for post-65 retirees). The employees currently have four pre-65 health care plans with various benefits and contribution levels. Any participant who retires with less than 8 years of does not qualify to participate with the County's benefit plan. If a participant retires with 10-25 years of service, Lee County will pay 100% of the premium cost. If a participant retires at age 55 or older and has 25+ years of service, the County will pay 100% of

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
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the premium cost. Retirees over the age of 65 with 25+ years of service will receive a contribution from the County that is equal to 100% of the premium cost.

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. 45. 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. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

Actuarial Valuation Date:	July 1, 2017
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Amortization Period:	30 years
Actuarial Assumptions	
Investment Rate of Return:	4.0% Annual Return Net of Both Administrative and Investment Related Expenses
Health Cost Trend:	8.5% to 5% at weighted average (includes an inflation rate of 2.5%)
Payroll Growth:	N/A
Coverage Elections:	100% of Eligible Retirees will Elect Coverage

**LEE COUNTY, SOUTH CAROLINA**  
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Active Participant Marriage Assumption:	100% of All Active Employees are Assumed to be Married with Female Spouses Assumed to be 3 Years Younger
Mortality After Retirement	
Table:	RP-2000 Mortality Table
Implicit Subsidy:	Total Cost of Coverage for Pre-65 Retirees is 50% Higher Than the Average Premium Rate to Account for Implicitly Subsidized Costs

The liability valuation method used is market value. The actuarial consultants intend to use a smoothing method over a 5 year period with the 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, 2018, was 30 years.

*Annual OPEB Costs and Roll forward of Net OPEB Asset:* For the fiscal year 2018 the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year was as follows:

**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 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

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**  
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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 \$0 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 \$223,888.

**Note 18. Intergovernmental Revenues**

The County receives funds from both the State of South Carolina and the federal government for various grant 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, 2018, the County received \$1,204,643 in fees from a third party owned landfill. This amount accounted for 33% of total licenses, permits, fines and fees revenue and 9% of total revenue for the fiscal year.

**Note 20. Fee in Lieu Agreements**

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



**LEE COUNTY, SOUTH CAROLINA**  
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**June 30, 2018**  
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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 \$65,625 in tax year 2017.

According to South Carolina Department of Revenue reports, capital investment committed to in the existing FILOT agreements was \$6,843,481. This investment resulted in FILOT payments of \$129,665 to Lee County in tax year 2017.

Note #1 - the City of Bishopville received \$40,188 from this fee agreement with South Atlantic Cannery based on their millage rate during tax year 2017.

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 Tax Year 2017, this portion of the FILOT payments paid to Lee County was \$17,626.90.

**Multi County Industrial or Business Park:**

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

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In 2017 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 1,716.

**Note 21. Pending Implementation of GASB Statements**

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 83, Certain Asset Retirement Obligations, will be effective for fiscal year ending June 30, 2019. The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (ARO). The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Statement No. 84, Fiduciary Activities, will be effective for fiscal year ending June 30, 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 87, Leases will be effective for fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 88, Certain Disclosures related to debt, including direct borrowings and direct placements, will be effective for fiscal year beginning after June 30, 2018. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, will be effective for reporting periods beginning after December 15, 2019. The objective of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

**Note 23. Subsequent Events**

The County has evaluated subsequent events through January 28, 2019, which is the date the financial statements were available to be issued.

*SUPPLEMENTAL INFORMATION*

DRAFT - 02/01/2019

*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.

DRAFT - 02/01/2019

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

<b>Revenues</b>	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Taxes</b>			
Property	\$ 3,848,000	\$ 3,701,546	\$ (146,454)
Vehicle	820,000	768,964	(51,036)
Local Option Sales Tax	1,050,000	1,127,818	77,818
Delinquent Property	400,000	461,310	61,310
Homestead Reimbursement	610,000	633,799	23,799
Accommodations Tax	173,429	203,742	30,313
Hospitality Tax	200,000	252,462	52,462
Fee In Lieu of Tax	41,000	61,038	20,038
Penny Sales Tax	-	800,626	800,626
Inventory Reimbursement	42,700	53,970	11,270
	<u>7,185,129</u>	<u>8,065,275</u>	<u>880,146</u>
<b>Total Taxes</b>			
	<u>7,185,129</u>	<u>8,065,275</u>	<u>880,146</u>
<b>Licenses, Fees and Permits</b>			
Landfill	1,118,000	1,204,643	86,643
Planning and Zoning	26,800	59,397	32,597
Administrative	49,000	15,577	(33,423)
Emergency Medical Services	1,155,064	1,024,915	(130,149)
Sheriff	185,000	145,813	(39,187)
Sumter-Lee Detention Center	159,000	107,409	(51,591)
Civil Defense	19,500	29,219	9,719
Probate Court	33,970	27,589	(6,381)
Magistrate	342,000	191,771	(150,229)
Clerk of Court	132,600	129,535	(3,065)
Master of Equity	10,000	8,273	(1,727)
Recreation	36,500	22,152	(14,348)
Library	5,000	8,303	3,303
Treasurer	145,700	159,857	14,157
Tax Collection	41,724	42,781	1,057
Auditor	400	495	95
Assessor	2,050	1,426	(624)
Road Maintenance	228,000	216,491	(11,509)
Miscellaneous	1,701	221,372	219,671
E-911	100,000	-	(100,000)
Animal Shelter	41,500	33,515	(7,985)
Airport	-	16,574	16,574
Cable and Other Franchise Fees	36,000	29,765	(6,235)
	<u>3,869,509</u>	<u>3,696,872</u>	<u>(172,637)</u>
<b>Total Licenses, Permits, Fines and Fees</b>			
	<u>3,869,509</u>	<u>3,696,872</u>	<u>(172,637)</u>

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

Intergovernmental Revenue and Other Revenue:

State Aid	\$ 762,848	\$ 781,893	\$ 19,045
Election Commission	32,000	14,567	(17,433)
State Salary Supplements	6,300	6,300	-
State Disaster Preparedness	-	57,559	57,559
Solid Waste, Oil and Tire Grants	170,000	385,376	215,376
E-911 State Revenue	-	189,913	189,913
Emergency Medical Services	1,000	18,289	17,289
State Motor Carrier	94,000	116,142	22,142
State Manufacturing Exemption	110,000	112,465	2,465
Library	45,000	94,941	49,941
Recreation Department	25,000	22,636	(2,364)
Veteran Affairs	4,500	4,704	204
Grants	-	60,000	60,000
Department of Social Services	85,000	153,167	68,167
	<u>1,335,648</u>	<u>2,017,952</u>	<u>682,304</u>
<b>Total Intergovernmental and Other Revenue</b>	<u>1,335,648</u>	<u>2,017,952</u>	<u>682,304</u>
<b>Total Revenues</b>	<u>12,390,286</u>	<u>13,780,099</u>	<u>1,389,813</u>

**Expenditures**

**General Government**

County Council			
Personnel	130,196	128,573	1,623
Operating	36,799	18,755	18,044
	<u>166,995</u>	<u>147,328</u>	<u>19,667</u>
<b>Total County Council</b>	<u>166,995</u>	<u>147,328</u>	<u>19,667</u>
County Administrator			
Personnel	363,687	364,227	(540)
Operating	19,800	37,216	(17,416)
	<u>383,487</u>	<u>401,443</u>	<u>(17,956)</u>
<b>Total County Administrator</b>	<u>383,487</u>	<u>401,443</u>	<u>(17,956)</u>
County Attorney			
Personnel	95,052	95,155	(103)
Operating	7,595	20,434	(12,839)
	<u>102,647</u>	<u>115,589</u>	<u>(12,942)</u>
<b>Total Court Attorney</b>	<u>102,647</u>	<u>115,589</u>	<u>(12,942)</u>

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

Airport			
Operating	\$ 5,000	\$ 26,455	\$ (21,455)
Total Airport	<u>5,000</u>	<u>26,455</u>	<u>(21,455)</u>
Planning and Zoning			
Personnel	70,790	67,386	3,404
Operating	<u>52,510</u>	<u>57,252</u>	<u>(4,742)</u>
Total Planning and Zoning	<u>123,300</u>	<u>124,638</u>	<u>(1,338)</u>
Treasurer			
Personnel	143,635	142,059	1,576
Operating	<u>41,100</u>	<u>32,614</u>	<u>8,486</u>
Total Treasurer	<u>184,735</u>	<u>174,673</u>	<u>10,062</u>
Delinquent Tax Collector			
Personnel	123,999	123,357	642
Operating	<u>64,900</u>	<u>51,038</u>	<u>13,862</u>
Total Delinquent Tax Collector	<u>188,899</u>	<u>174,395</u>	<u>14,504</u>
Auditor			
Personnel	146,364	146,145	219
Operating	<u>78,982</u>	<u>76,638</u>	<u>2,344</u>
Total Auditor	<u>225,346</u>	<u>222,783</u>	<u>2,563</u>
Assessor			
Personnel	278,361	271,855	6,506
Operating	<u>40,675</u>	<u>36,201</u>	<u>4,474</u>
Total Assessor	<u>319,036</u>	<u>308,056</u>	<u>10,980</u>
Animal Shelter			
Personnel	74,502	69,949	4,553
Operating	<u>55,000</u>	<u>92,964</u>	<u>(37,964)</u>
Total Animal Control	<u>129,502</u>	<u>162,913</u>	<u>(33,411)</u>
<b>Total General Government</b>	<u>1,828,947</u>	<u>1,858,273</u>	<u>(29,326)</u>

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

**Judicial**

Coroner			
Personnel	\$ 67,446	\$ 66,763	\$ 683
Operating	<u>19,400</u>	<u>29,537</u>	<u>(10,137)</u>
Total Coroner	<u>86,846</u>	<u>96,300</u>	<u>(9,454)</u>
Probate Court			
Personnel	111,446	111,399	47
Operating	<u>15,775</u>	<u>9,511</u>	<u>6,264</u>
Total Probate Court	<u>127,221</u>	<u>120,910</u>	<u>6,311</u>
Magistrate Court			
Personnel	265,756	256,651	9,105
Operating	<u>23,100</u>	<u>26,326</u>	<u>(3,226)</u>
Total Magistrate Court	<u>288,856</u>	<u>282,977</u>	<u>5,879</u>
Clerk of Court			
Personnel	271,161	269,085	2,076
Operating	<u>85,937</u>	<u>69,754</u>	<u>16,183</u>
Total Clerk of Court	<u>357,098</u>	<u>338,839</u>	<u>18,259</u>
Master in Equity			
Personnel	18,330	18,227	103
Operating	<u>6,900</u>	<u>6,806</u>	<u>94</u>
Total Master in Equity	<u>25,230</u>	<u>25,033</u>	<u>197</u>
<b>Total Judicial</b>	<u>885,251</u>	<u>864,059</u>	<u>21,192</u>

**Public Safety**

Sheriff			
Personnel	1,434,563	1,343,890	90,673
Operating	<u>273,118</u>	<u>291,814</u>	<u>(18,696)</u>
Total Sheriff	<u>1,707,681</u>	<u>1,635,704</u>	<u>71,977</u>

Jail



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

Operating	\$ 698,389	\$ 698,389	\$ -
Rural Fire			
Personnel	242,194	238,242	3,952
Operating	<u>199,200</u>	<u>219,561</u>	<u>(20,361)</u>
Total Rural Fire	<u>441,394</u>	<u>457,803</u>	<u>(16,409)</u>
Civil Defense			
Personnel	125,048	124,510	538
Operating	<u>4,700</u>	<u>41,919</u>	<u>(37,219)</u>
Total Civil Defense	<u>129,748</u>	<u>166,429</u>	<u>(36,681)</u>
E-911 Dispatching			
Personnel	404,706	379,505	25,201
Operating	<u>173,300</u>	<u>231,205</u>	<u>(57,905)</u>
Total E-911 Dispatching	<u>578,006</u>	<u>610,710</u>	<u>(32,704)</u>
Emergency Medical Services			
Personnel	1,316,202	1,280,697	35,505
Operating	<u>222,800</u>	<u>243,963</u>	<u>(21,163)</u>
Total Emergency Medical Services	<u>1,539,002</u>	<u>1,524,660</u>	<u>14,342</u>
<b>Total Public Safety</b>	<u>5,094,220</u>	<u>5,093,695</u>	<u>525</u>
<b>Culture and Recreation</b>			
Parks and Recreation			
Personnel	138,599	130,237	8,362
Operating	<u>70,400</u>	<u>39,126</u>	<u>31,274</u>
Total Parks and Recreation	<u>208,999</u>	<u>169,363</u>	<u>39,636</u>
Library			
Personnel	186,564	188,014	(1,450)
Operating	<u>30,150</u>	<u>101,487</u>	<u>(71,337)</u>
Total Library	<u>216,714</u>	<u>289,501</u>	<u>(72,787)</u>
<b>Total Culture and Recreation</b>	<u>425,713</u>	<u>458,864</u>	<u>(33,151)</u>

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

**Public Works**

Administration			
Personnel	\$ 574,042	\$ 569,128	\$ 4,914
Operating	<u>429,850</u>	<u>516,415</u>	<u>(86,565)</u>
Total Administration	<u>1,003,892</u>	<u>1,085,543</u>	<u>(81,651)</u>
Building Maintenance			
Personnel	90,320	93,334	(3,014)
Operating	<u>129,345</u>	<u>130,031</u>	<u>(686)</u>
Total Building Maintenance	<u>219,665</u>	<u>223,365</u>	<u>(3,700)</u>
<b>Total Public Works</b>	<u>1,223,557</u>	<u>1,308,908</u>	<u>(85,351)</u>

**Boards and Commissions**

Election and Voter Registration			
Personnel	115,249	105,452	9,797
Operating	<u>31,477</u>	<u>28,127</u>	<u>3,350</u>
Total Election and Voter Registration	<u>146,726</u>	<u>133,579</u>	<u>13,147</u>
Economic Development			
Operating	<u>125,000</u>	<u>30,244</u>	<u>94,756</u>
Total Economic Development	<u>125,000</u>	<u>30,244</u>	<u>94,756</u>
Veterans Affairs			
Personnel	44,066	44,020	46
Operating	<u>6,620</u>	<u>3,056</u>	<u>3,564</u>
Total Veterans Affairs	<u>50,686</u>	<u>47,076</u>	<u>3,610</u>
<b>Total Boards and Commissions</b>	<u>322,412</u>	<u>210,899</u>	<u>111,513</u>

**Non-Departmental**

General Services			
Operating	<u>1,480,492</u>	<u>1,563,284</u>	<u>(82,792)</u>

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

Outside Agencies			
Operating	\$ 375,921	\$ 377,472	\$ (1,551)
Contract Services			
Operating	63,541	61,606	1,935
<b>Total Non-Departmental</b>	<u>1,919,954</u>	<u>2,002,362</u>	<u>(82,408)</u>
<b>Capital Outlay</b>			
Airport	-	-	-
General Services	25,000	111,544	(86,544)
Parks and Recreation	25,000	285,729	(260,729)
Public Works	-	314,532	(314,532)
Rural Fire	-	88,032	(88,032)
E-911 Dispatching	-	367,277	(367,277)
<b>Total Capital Outlay</b>	<u>50,000</u>	<u>1,167,114</u>	<u>(1,117,114)</u>
<b>Debt Service</b>			
Principal	644,242	1,245,303	(601,061)
Interest	-	67,269	(67,269)
<b>Total Debt Service</b>	<u>644,242</u>	<u>1,312,572</u>	<u>(668,330)</u>
<b>Total Expenditures</b>	<u>12,394,296</u>	<u>14,276,746</u>	<u>(1,882,450)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(4,010)</u>	<u>(496,647)</u>	<u>(492,637)</u>
<b>Other Financing Sources (Uses)</b>			
Interest Income	4,010	10,909	6,899
Capital Lease Proceeds	-	245,635	245,635
<b>Total Other Financing Sources</b>	<u>4,010</u>	<u>256,544</u>	<u>252,534</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(240,103)</u>	<u>\$ (240,103)</u>
<b>Fund Balance, Beginning of Year - As Restated</b>		<u>8,162,391</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 7,922,288</u>	

**LEE COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 7,185,129	\$ 7,185,129	\$ 8,065,275	\$ 880,146
Licenses, Permits, Fines and Fees	3,869,509	3,869,509	3,696,872	(172,637)
Intergovernmental Revenues	<u>1,335,648</u>	<u>1,335,648</u>	<u>2,017,952</u>	<u>682,304</u>
 Total Revenues	 <u>12,390,286</u>	 <u>12,390,286</u>	 <u>13,780,099</u>	 <u>1,389,813</u>
<b>Expenditures</b>				
Current:				
General Government	1,828,947	1,828,947	1,858,273	(29,326)
Judicial	885,251	885,251	864,059	21,192
Public Safety	5,094,220	5,094,220	5,093,695	525
Culture and Recreation	425,713	425,713	458,864	(33,151)
Public Works	1,223,557	1,223,557	1,308,908	(85,351)
Boards and Commissions	322,412	322,412	210,899	111,513
Non-Departmental	1,919,954	1,919,954	2,002,362	(82,408)
Capital Outlay	50,000	50,000	1,167,114	(1,117,114)
Debt Service:				
Principal	644,242	644,242	1,245,303	(601,061)
Interest	<u>-</u>	<u>-</u>	<u>67,269</u>	<u>(67,269)</u>
 Total Expenditures	 <u>12,394,296</u>	 <u>12,394,296</u>	 <u>14,276,746</u>	 <u>(1,882,450)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<u>(4,010)</u>	<u>(4,010)</u>	<u>(496,647)</u>	<u>(492,637)</u>
<b>Other Financing Sources (Uses)</b>				
Interest Income	4,010	4,010	10,909	6,899
Capital Lease Proceeds	<u>-</u>	<u>-</u>	<u>245,635</u>	<u>245,635</u>
 Total Other Financing Sources (Uses)	 <u>4,010</u>	 <u>4,010</u>	 <u>256,544</u>	 <u>252,534</u>
 <b>Net Change in Fund Balance</b>	 <u>\$ -</u>	 <u>\$ -</u>	 (240,103)	 <u>\$ (240,103)</u>
 <b>Fund Balance, Beginning of Year</b>			 <u>8,162,391</u>	
 <b>Fund Balance, End of Year</b>			 <u>\$ 7,922,288</u>	

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

<b>SCRS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
County's proportion of the net pension liability (asset)	0.0379840%	0.0373660%	0.0370490%	0.0377390%
County's proportionate share of the net pension liability (asset)	\$ 8,550,809	\$ 7,981,322	\$ 7,026,521	\$ 6,437,318
County's covered employee payroll	\$ 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	44.08%	48.02%	51.50%	53.96%
Plan fiduciary net position as a percentage of total pension liability	170.02%	158.69%	139.71%	128.00%

<b>PORS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
County's proportion of the net pension liability (asset)	0.107420%	0.106550%	0.108280%	0.112060%
County's proportionate share of the net pension liability (asset)	\$ 2,942,891	\$ 2,702,588	\$ 2,359,915	\$ 2,145,288
County's covered employee payroll	\$ 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	50.22%	53.18%	57.56%	62.53%
Plan fiduciary net position as a percentage of total pension liability	58.51%	53.74%	46.92%	42.66%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>
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DRAFT - 02/10/2019

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 697,302	\$ 647,672	\$ 586,830	\$ 558,522
Contributions in relation to contractually required contribution	<u>697,302</u>	<u>647,672</u>	<u>586,830</u>	<u>558,522</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 5,247,225	\$ 5,269,506	\$ 4,976,728	\$ 4,815,161
Contributions as a percentage of covered-employee payroll	13.29%	12.29%	11.79%	11.60%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>
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DRAFT - 02/01/2019

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

	2018
<b>Total OPEB Liability</b>	
Service Cost at end of year	\$ 151,449
Interest on the Total OPEB Liability	(4,821)
Changes of benefit terms	-
Difference between expected and actual experience	6,702
Changes of assumptions or other inputs	-
Benefit payments*	(108,612)
<b>Net change in Total OPEB Liability</b>	44,718
<b>Total OPEB Liability - beginning</b>	\$ 2,064,262
<b>Total OPEB Liability - ending (a)</b>	\$ 2,108,980
<b>Plan Fiduciary Net Position</b>	
Contributions - employer**	\$ -
Contributions - non-employer	-
Contributions - active member	-
Net investment income	-
Benefit Payments*	-
Administrative expense	-
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	\$ -
<b>Plan Fiduciary Net Position - beginning</b>	\$ -
<b>Plan Fiduciary Net Position - ending (b)</b>	\$ -
<b>Net OPEB Liability - ending (a) - (b)</b>	\$ 2,108,980

**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 City will present information for those years for which information is available. The Discount rate used for year ended June 30, 2018 was 4.00%.

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

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$2,108,980	\$2,056,540
Plan Fiduciary Net Position	<u>          -</u>	<u>          -</u>
Net OPEB Liability	\$2,108,980	\$2,056,540
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%
Covered Payroll*	\$2,291,138	\$2,674,675
Net OPEB Liability as a percentage of covered payroll	92.05%	76.89%

**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 City will present information for those years for which information is available.

DRAFT - 02/10/2019



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

	2018
Actuarially Determined Employer Contribution (ADEC)	\$ 151,449
Contributions in relation to the ADEC	108,612
Annual contribution deficiency (excess)	\$ 42,837
Covered Payroll*	\$2,291,138
Actual contributions as a percentage of covered payroll	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 City will present information for those years for which information is available.

DRAFT - 02/01/2019

**LEE COUNTY, SOUTH CAROLINA**  
**NOTES TO THE REQUIRED**  
**SUPPLEMENTAL INFORMATION**  
**June 30, 2018**

**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, 2018, the expenditure categories of General Government, Culture and Recreation, Public Works, Non-Departmental, Capital Outlay and Debt Service had expenditures in excess of budgeted amounts of \$29,326, \$33,151, \$85,351, \$82,408, \$1,117,114 and \$668,274 respectively.

DRAFT - 02/07/2018

**LEE COUNTY, SOUTH CAROLINA  
VICTIM'S ASSISTANCE  
SCHEDULE OF FINES, FEES AND ASSESSMENTS  
June 30, 2018**

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court Fines and Assessments Collected	\$ 75,369	\$ 405,017	\$ -	\$ 480,386
Court Fines and Assessments Remitted to State Treasurer	(51,747)	(225,506)	-	\$(277,253)
<b>Total Court Fines and Assessments Retained</b>	<b>23,622</b>	<b>179,511</b>	<b>-</b>	<b>\$ 203,133</b>
<b>Surcharges and Assessments Retained for Victim Services:</b>				
Surcharges Collected and Retained	2,475	5,063	-	\$ 7,538
Assessments Retained	615	16,991	-	\$ 17,606
<b>Total Surcharges and Assessments Retained for Victim Services</b>	<b>3,090</b>	<b>22,054</b>	<b>-</b>	<b>\$ 25,144</b>
<u>FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)</u>				
<b><u>VICTIM SERVICE FUNDS COLLECTED</u></b>		<b>Municipal</b>	<b>County</b>	<b>Total</b>
<b>Carryforward from Previous Year - Beginning Balance</b>		-	52,639	-
<b>Victim Service Revenue:</b>				
Victim Service Fines Retained by City/County Treasurer		-	25,144	25,144
Victim Service Assessments Retained by City/County Treasurer		-	-	-
Victim Service Surcharges Retained by City/County Treasurer		-	-	-
Interest Earned		-	-	-
Grant Funds Received				
Grant From: Outside Donations		-	963	963
<b>General Funds Transferred to Victim Service Fund</b>				
(1) Entity's Name		-	-	-
(2) Entity's Name		-	-	-
(3) Entity's Name		-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>		-	78,746	-
<b>Expenditures for Victim Service Program:</b>		<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits		-	53,637	53,637
Operating Expenditures		-	7,892	7,892
<b>Victim Service Contract(s):</b>				
(1) Entity's Name		-	-	-
(2) Entity's Name		-	-	-
<b>Victim Service Donation(s):</b>				
(1) Domestic Violence Shelter: Safe Passage Inc.		-	-	-
(2) Rape Crisis Center:		-	-	-
(3) Other Local Direct Crime Victims Service Agency:		-	-	-
Transferred to General Fund		-	-	-
<b>Total Expenditures From Victim Service Fund/Program (B)</b>		-	61,529	61,529
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)		-	-	-
<b>Less: Prior Year Fund Deficit Repayment</b>		-	-	-
<b>Carryforward Funds - End of Year</b>		-	17,217	17,217

**LEE COUNTY, SOUTH CAROLINA  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
LEE COUNTY PUBLIC LIBRARY  
For the Fiscal Year Ended June 30, 2018**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Local Sources:				
County Tax Appropriation	\$ 6,206	\$ 173,164	\$ 173,189	\$ 6,181
Fines, Fees and Gifts	<u>23,670</u>	<u>8,733</u>	<u>5,264</u>	<u>27,139</u>
 Total	 <u>29,876</u>	 <u>181,897</u>	 <u>178,453</u>	 <u>33,320</u>
 State Sources:				
Education Lottery	11,827	23,719	35,546	-
State Aid	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
 Total	 <u>11,827</u>	 <u>98,719</u>	 <u>110,546</u>	 <u>-</u>
 Federal Sources:				
LSTA	<u>(328)</u>	<u>1,775</u>	<u>932</u>	<u>515</u>
 Total All Sources of Funds	 <u>\$ 41,375</u>	 <u>\$ 282,391</u>	 <u>\$ 289,931</u>	 <u>\$ 33,835</u>
 Cash				 <u>\$ 33,835</u>

DRAFT - 02/10/2019

*FIDUCIARY FUND*

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

DRAFT - 02/01/2019

**LEE COUNTY, SOUTH CAROLINA  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – SCHOOL FUND  
For the Fiscal Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,348,739	\$ 4,919,890	\$ 4,728,657	\$ 2,539,972
Due From General Fund	<u>133,117</u>	<u>132,190</u>	<u>133,117</u>	<u>132,190</u>
<b>Total Assets</b>	<u><u>2,481,856</u></u>	<u><u>5,052,080</u></u>	<u><u>4,861,774</u></u>	<u><u>2,672,162</u></u>
<b>Liabilities:</b>				
Due to Schools	<u>2,481,856</u>	<u>5,052,080</u>	<u>4,861,774</u>	<u>2,672,162</u>
<b>Total Liabilities</b>	<u><u>\$ 2,481,856</u></u>	<u><u>\$ 5,052,080</u></u>	<u><u>\$ 4,861,774</u></u>	<u><u>\$ 2,672,162</u></u>

DRAFT - 02/01/2019

January 28, 2019

**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, 2018, and the related notes to the financial statements, which collectively comprise Lee County's basic financial statements and have issued our report thereon dated January 28, 2019. June 30, 2018

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 material weaknesses and significant deficiencies.

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 as 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. We consider the deficiency described in the accompanying schedule of findings and responses as items 18-1 and 18-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 18-2 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Lee County, South Carolina's Response to Findings**

Lee County, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lee County, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina



**LEE COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2018**

**FINDINGS RELATED TO FINANCIAL STATEMENTS**

**18-1 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.

**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.

**18-2 Magistrate's Bonds On Hand Controls**

**Condition:**

During the fiscal year, the reconciled bank balance was higher than the total reported for bonds on hand. The reconciled bank balance and the report totals should agree. The excess cash in the bank was determined to have been collected for older cases that occurred prior to the establishment of the new reporting system.

**Criteria:**

All controls should be monitored to insure they are properly functioning and that the County is in compliance with all applicable laws and regulations.

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

**Questioned Costs:**

Unknown

**Recommendations:**

The appropriate County representative should request the assistance of South Carolina Court Administration to determine the proper disposition of these excess bonds on hand. In the interim, the appropriate County representative should transfer the excess bonds to a separate bank account or designated general fund account until their proper disposition can be determined.

**View of Responsible Official and Planned Corrective Action:**

Management agrees with the auditor's finding.

**18-3 Segregation of Duties in Sheriff's Department**

**Condition:**

During the fiscal year there was a lack of segregation of duties related to Sheriff's Seizure and Sheriff's Forfeiture bank accounts. Only one person is assigned the task of preparing checks, reconciling the bank account, reporting account activity for financial statement purposes, and receiving and maintaining custody of the bank statements.

**Criteria:**

There should be adequate segregation of duties related to collection, custody, reconciliation and reporting of cash.

**Questioned Costs:**

Unknown

**Recommendations:**

We recommend that the bank statements be received, reviewed or reconciled by an employee other than those responsible for writing monthly checks and that all disbursements be recorded in the centralized system in the Finance Department.

**View of Responsible Official and Planned Corrective Action:**

Management agrees with the auditor's finding and is making necessary changes in procedures.