

**LEE COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2019**

**LEE COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019**

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**LEE COUNTY, SOUTH CAROLINA
COUNTY OFFICIALS
June 30, 2019**

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

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

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

REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
DOUGLAS S. RYAN, CPA
CHRISTOPHER H. HARRELL
JOHN F. MARTIN
JOHN C. BOYKIN, III
MEREDITH A. BLAKE

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

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

WEBSITE: WWW.SHGCPA.COM

December 17, 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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4 through 11 and 55 the schedule of County's proportionate share of the net pension liability, schedule of County contributions, schedule of the County's Proportionate Share in net OPEB liability, and schedule of the County's contributions on pages 56-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 December 17, 2019, 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 & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019**

This section presents our discussion and analysis of Lee County, South Carolina's financial performance during the fiscal year that ended June 30, 2019. 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 \$6,621,381. Of this amount, \$4,511,831 was restricted, \$9,305,726 was net investment in capital assets, and the remaining resulted in a negative unrestricted net position in the amount of \$7,196,176. As of the close of the fiscal year, Lee County's governmental funds reported ending fund balances of \$9,521,878. At the end of the fiscal year, the unassigned fund balance was \$5,010,047.

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, 2019
(Continued)**

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

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

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019
(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, 2019
(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 \$6,621,381 as summarized and compared to fiscal year 2018 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 2019 compared to fiscal year 2018.

Table 2. Lee County's Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 11,313,508	\$ 10,373,693	\$ 939,815
Capital Assets	<u>11,050,033</u>	<u>11,291,757</u>	<u>(241,724)</u>
Total Assets	<u>22,363,541</u>	<u>21,665,450</u>	<u>698,091</u>
Deferred Outflows			
Pension Cost	<u>1,746,317</u>	<u>2,088,321</u>	<u>(342,004)</u>
Liabilities			
Other Liabilities	1,051,772	2,023,318	(971,546)
Long-Term Debt Outstanding	<u>16,098,937</u>	<u>16,628,434</u>	<u>(529,497)</u>
Total Liabilities	<u>17,150,709</u>	<u>18,651,752</u>	<u>(1,501,043)</u>
Deferred Inflows			
Pension Cost	<u>337,768</u>	<u>72,668</u>	<u>265,100</u>
Net Position			
Net Investment in Capital Assets	9,305,726	9,151,841	153,885
Restricted	4,511,831	2,128,950	2,382,881
Unrestricted	<u>(7,196,176)</u>	<u>(6,251,440)</u>	<u>(944,736)</u>
Total Net Position	<u>\$ 6,621,381</u>	<u>\$ 5,029,351</u>	<u>\$ 1,592,030</u>

The net position of the County increased by 32 percent during the year (\$6.62 million compared to \$5.03 million). Unrestricted net position decreased from a negative \$6.25 million at the beginning of the year to a negative \$7.19 million at the end of the year.

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019
(Continued)**

Table 3. Lee County's Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Program Services:			
Charges for Services	\$ 5,277,579	\$ 3,475,500	\$ 1,802,079
Operating Grants	60,859	40,925	19,934
Capital Grants	<u>219,608</u>	<u>60,000</u>	<u>159,608</u>
Total Program Services	<u>5,558,046</u>	<u>3,576,425</u>	<u>1,981,621</u>
General Revenues:			
Taxes	8,889,697	7,934,326	955,371
Miscellaneous	101,207	221,370	(120,163)
Intergovernmental Revenue	1,940,902	1,917,027	23,875
Investment Earnings	139,131	10,909	128,222
Gain (Loss) on Disposition of Capital Assets	<u>(17,176)</u>	<u>(16,359)</u>	<u>(817)</u>
Total General Revenues	<u>11,053,761</u>	<u>10,067,273</u>	<u>986,488</u>
Total Revenues	<u>16,611,807</u>	<u>13,643,698</u>	<u>2,968,109</u>
Expenses:			
General Government	2,695,797	1,999,887	695,910
Judicial	944,218	946,306	(2,088)
Public Safety	5,448,656	5,483,202	(34,546)
Culture and Recreation	509,985	496,886	13,099
Public Works	2,551,450	1,428,871	1,122,579
Boards and Commissions	336,051	230,808	105,243
Non-Departmental	2,401,212	2,191,383	209,829
Capital Outlay	234,377	122,290	112,087
Interest and Other Charges	<u>59,880</u>	<u>67,353</u>	<u>(7,473)</u>
Total Expenses	<u>15,181,626</u>	<u>12,966,986</u>	<u>2,214,640</u>
Change in Net Position	1,430,181	676,712	753,469
Net Position, Beginning of Year - As Restated	<u>5,191,200</u>	<u>4,352,639</u>	<u>838,561</u>
Net Position, End of Year	<u>\$ 6,621,381</u>	<u>\$ 5,029,351</u>	<u>\$ 1,592,030</u>

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019
(Continued)**

Governmental Activities

Governmental activities increased the County's net position by \$1,430,181. 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 \$9,521,878 which is an increase of \$1,437,741 over last year. Of this balance, the general fund makes up \$9,521,878 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 \$3,554,282 above the budgeted amount. Actual expenses for the general fund were \$3,111,525 over budget, and other financing sources were \$1,084,621 over budget. The change in fund balance is an increase of \$1,437,741 which is mainly due to addition of bond proceeds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, Lee County had invested \$11,050,033 (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, 2019
(Continued)**

Table 4. Lee County's Capital Assets

	2019	2018
Land	\$ 2,284,771	\$ 2,083,033
Buildings and Improvements	7,989,925	7,980,425
Infrastructure	2,890,153	2,890,153
Equipment and Furniture	4,912,158	4,798,091
Vehicles	6,114,728	6,054,225
Accumulated Depreciation	(13,141,702)	(12,514,170)
 Total Net Capital Assets	 \$ 11,050,033	 \$ 11,291,757

Long-term Debt

At year-end, the County had \$4,923,684 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. The \$1,855,000 in general obligation bond debt is backed by the full faith and credit of the County.

Limitations on Debt

The state limits the amount of general obligation debt the County can issue at an amount not to exceed (8) eight percent of the assessed value of all taxable property within the County. The current debt limitation for the County is \$2,846,765 which means that the County was \$991,765 under the debt ceiling.

Table 5. Lee County's Outstanding Debt

	2019	2018
General Obligation Bonds	\$ 1,855,000	\$ 2,086,000
Capital Leases	479,001	643,610
Compensated Absences	325,459	296,144
Net OPEB Liability	2,264,224	2,108,980
 Total	 \$ 4,923,684	 \$ 5,134,734

**LEE COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019
(Continued)**

NEXT YEAR'S BUDGETS

The 2019-2020 budget for Lee County General Fund expenditures is \$13,713,064. This budget contains no provision that would require an appropriation from the available fund balance.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lee County Finance Office, 123 Main Street, Bishopville, South Carolina 29010.

LEE COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,984,419
Restricted Cash	6,343,414
Taxes Receivable, Net	452,799
Intergovernmental Receivables	1,522,514
Due from Other Governments	10,362
Capital Assets:	
Land	2,284,771
Buildings and Improvements	7,989,925
Infrastructure	2,890,153
Furniture and Equipment	4,912,158
Vehicles	6,114,728
Less: Accumulated Depreciation	(13,141,702)
Total Capital Assets, Net of Depreciation	11,050,033
Deferred Outflows of Resources	
Prepaid Pension Cost	1,746,317
Total Assets and Deferred Outflows of Resources	24,109,858
Liabilities	
Accounts Payable and Accrued Liabilities	698,775
Due to Agency Funds	115,386
Trust Funds and Bonds	237,611
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds	1,195,000
Capital Lease	154,880
Compensated Absences	325,459
Due in More Than One Year:	
General Obligation Bonds	660,000
Capital Lease	324,121
Net OPEB Obligation	2,264,224
Net Pension Liability	11,175,253
Total Liabilities	17,150,709
Deferred Outflows of Resources	
Unavailable Revenue - Pension	337,768
Net Position	
Net Investment in Capital Assets	9,305,726
Restricted for:	
Debt Service	971,538
Capital Projects	3,540,293
Unrestricted	(7,196,176)
Total Net Position	\$ 6,621,381

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, 2019**

	Program Revenues			Capital Grants and Contributions	(Expense)Revenue and Changes in Net Position
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities					
General Government	\$ 2,695,797	\$ 3,396,924	\$ -	\$ -	\$ 701,127
Judicial	944,218	1,466,739	-	-	522,521
Public Safety	5,448,656	374,638	3,711	219,608	(4,850,699)
Culture and Recreation	509,985	39,278	57,148	-	(413,559)
Public Works	2,551,450	-	-	-	(2,551,450)
Boards and Commissions	336,051	-	-	-	(336,051)
Non-Departmental	2,401,212	-	-	-	(2,401,212)
Capital Outlay	234,377	-	-	-	(234,377)
Interest and Other Charges	59,880	-	-	-	(59,880)
Total Governmental Activities	15,181,626	5,277,579	60,859	219,608	(9,623,580)
Total Primary Government	\$ 15,181,626	\$ 5,277,579	\$ 60,859	\$ 219,608	(9,623,580)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					5,961,027
Property Taxes Levied for Debt Service					1,082,461
Sales and Use Tax					1,236,678
Accommodations Taxes					215,595
Hospitality Taxes					264,468
Payment in Lieu of Taxes					129,468
Miscellaneous					101,207
Unrestricted Investment Earnings					139,131
Intergovernmental Revenues					1,940,902
Gain (Loss) on Disposal of Assets					(17,176)
Total General Revenues					11,053,761
Change in Net Position					1,430,181
Net Position, Beginning of Year - As Restated					5,191,200
Net Position, End of Year					\$ 6,621,381

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

**LEE COUNTY, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

	General
Assets	
Cash and Cash Equivalents	\$ 2,984,419
Restricted Cash	6,343,414
Receivables:	
Property Taxes, Net	452,799
Intergovernmental	1,522,514
Due from Other Governments	10,362
Total Assets	\$ 11,313,508
 Liabilities	
Accounts Payable and Accrued Liabilities	\$ 698,775
Compensated Absences	44,326
Due to Other Funds	115,386
Trust Funds and Bonds	237,611
 Total Liabilities	 1,096,098
 Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	383,000
Unavailable Revenue - Grants	312,532
 Total Deferred Inflows of Resources	 695,532
 Fund Balance	
Restricted for:	
Debt Service	971,538
Capital Projects	3,540,293
Unassigned	5,010,047
 Total Fund Balance	 9,521,878
 Total Liabilities and Fund Balance	 \$ 11,313,508

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, 2019

Total Fund Balance - Governmental Funds (Exhibit C) \$ 9,521,878

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

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

Property Taxes	383,000
Other	312,532

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 \$24,191,735 and the accumulated depreciation is \$13,141,702	11,050,033
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Deferred outflows and inflows of resources related to pension expense are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pension of \$1,746,317 equals \$925,613 deferred outflows of pension expense (from pension schedule) plus \$820,704 deferred outflows of 2019 employer contributions relating to pensions	1,746,317
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Deferred inflows of resources related to pensions (from pension schedule)	(337,768)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Long-term liabilities at year-end consist of:

General Obligation Bonds	(660,000)
General Obligation Bonds-Current	(1,195,000)
Capital Lease	(324,121)
Capital Lease-Current	(154,880)
Net OPEB Liability	(2,264,224)
Net Pension Liability	(11,175,253)
Compensated Absences	(281,133)

Total Net Position- Governmental Activities (Exhibit A) \$ 6,621,381

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

LEE COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	General
Revenues	
Taxes	\$ 8,583,392
Licenses, Permits, Fines and Fees	5,378,788
Intergovernmental and Other Revenue	2,221,369
 Total Revenues	 16,183,549
 Expenditures	
Current:	
General Government	2,068,329
Judicial	866,501
Public Safety	4,922,256
Culture and Recreation	467,876
Public Works	2,343,777
Boards and Commissions	309,267
Non-Departmental	2,209,827
Capital Outlay	1,151,980
Debt Service:	
Principal	1,344,609
Interest	60,880
 Total Expenditures	 15,745,302
 Excess of Revenues Over Expenditures	 438,247
 Other Financing Sources	
Interest Income	139,131
Bond Proceeds	950,000
 Total Other Financing Sources	 1,089,131
 Contribution to Other Governments	 (89,637)
 Net Change in Fund Balance	 1,437,741
 Fund Balance, Beginning of Year - As Restated	 8,084,137
 Fund Balance, End of Year	 \$ 9,521,878

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, 2019**

Total Net Change In Fund Balance - Governmental Funds (Exhibit E) \$ 1,437,741

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 \$1,142,151 exceeds capital outlay of \$917,603 in the period. (224,548)

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. (17,176)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,344,609

Bond proceeds provide current financial resources in the governmental fund statements, but the corresponding debt issuance increases long-term liabilities in the Statement of Net Position. (950,000)

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.
Property taxes 307,302

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. (23,846)

The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan, is not reported as an liability in the governmental funds. This amount represents the net change in this liability during the current year. (155,244)

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	820,704	
Cost of benefits earned net of employee contributions (pension expense on benefit schedule)	<u>(1,109,361)</u>	<u>(288,657)</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ 1,430,181

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

**LEE COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 2,497,323
Due From General Fund	<u>115,386</u>
Total Assets	<u><u>2,612,709</u></u>
 Liabilities	
Due to Schools	<u>2,612,709</u>
Total Liabilities	<u><u>\$ 2,612,709</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, 2019

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, 2019
(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, 2019
(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, 2019
(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, 2019
(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, 2019
(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 outflows. 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, 2019
(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, 2019
(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	\$ 5,029,351
Increase resulting from cash account not reported in prior years	<u>161,849</u>
Net Position, beginning of the year, as restated	<u>\$ 5,191,200</u>

General Fund

Fund Balance, beginning of year, as previously stated	\$ 7,922,288
Increase resulting from cash account not reported in prior years	<u>161,849</u>
Fund Balance, beginning of year, as restated	<u>\$ 8,084,137</u>

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(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, 2019, \$8,879,718 of the County's bank balance of \$9,092,943 which has a carrying value of \$9,327,833 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the County’s name	<u>\$8,879,718</u>
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Investments

As of June 30, 2019, 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	\$2,937,868	\$2,937,868

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, 2019, \$2,937,868 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. 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.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

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 \$452,799 are reported on the balance sheet net of an allowance for uncollectible accounts of \$62,419. Deferred revenue in the amount of \$383,000 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, 2019, 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, 2019, the General Fund had \$312,532 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, 2019, (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	\$ 115,386

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, 2019
(Continued)

Note 6. Capital Assets

Capital Assets activity for the year ended June 30, 2019, 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	\$ 201,738	\$ -	\$ -	\$ 2,284,771
Depreciable Assets:					
Building and Improvements	7,980,425	9,500	-	-	7,989,925
Infrastructure	2,890,153	-	-	-	2,890,153
Furniture and Equipment	4,798,091	128,067	(14,000)	-	4,912,158
Vehicles	6,054,225	578,298	(517,795)	-	6,114,728
Totals	<u>23,805,927</u>	<u>917,603</u>	<u>(531,795)</u>	<u>-</u>	<u>24,191,735</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(3,663,967)	(276,766)	-	-	(3,940,733)
Infrastructure	(1,234,032)	(147,016)	-	-	(1,381,048)
Furniture and Equipment	(3,084,672)	(349,756)	14,000	-	(3,420,428)
Vehicles	(4,531,499)	(368,613)	500,619	-	(4,399,493)
Totals	<u>(12,514,170)</u>	<u>(1,142,151)</u>	<u>514,619</u>	<u>-</u>	<u>(13,141,702)</u>
Governmental Activates					
Capital Assets, Net	<u>\$ 11,291,757</u>	<u>\$ (224,548)</u>	<u>\$ (17,176)</u>	<u>\$ -</u>	<u>\$ 11,050,033</u>

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

General Government	\$ 179,131
Judicial	75,045
Public Safety	426,299
Culture and Recreation	40,521
Public Works	202,986
Boards and Commissions	26,784
Non-Departmental	<u>191,385</u>
Total Depreciation	<u>\$ 1,142,151</u>

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2019, are as follows:

Accounts Payable	\$	406,880
Accrued Payroll, Withholdings, Fringe and Benefits		<u>291,895</u>
 Total Accounts Payable and Accrued Expenses- Governmental Activities	 \$	 <u>698,775</u>

Note 8. Long-Term Debt

As of June 30, 2019, 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 1st and interest only payments due on November 1st of each year. The bond has a maturity date of 2021. The interest rate on the bond is 1.72%.

On August 28, 2018, the County issued Series 2018 General Obligation Bonds totaling \$950,000 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 2.61% with a final Maturity date of March 1, 2020.

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,195,000	\$ 36,756	\$ 1,231,756
2021	<u>660,000</u>	<u>11,352</u>	<u>671,352</u>
	<u>\$ 1,855,000</u>	<u>\$ 33,884</u>	<u>\$ 1,343,884</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

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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>\$ 876,657</u>

The future minimum lease obligations and the net present value of this lease payment as of June 30, 2019, are as follows:

Fiscal Year Ending	Total
<u>June 30,</u>	
2020	\$ 165,007
2021	221,786
2022	<u>109,777</u>
 Total minimum lease payments	 496,570
Less: amount representing interest	<u>(17,569)</u>
 Present value of minimum lease payments	 <u>\$ 479,001</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, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due In One Year
2013 G.O. Bond	1,950,000	-	(640,000)	1,310,000	650,000
2014 G.O. Bond	136,000	-	(136,000)	-	-
2018 G.O. Bond	-	950,000	(405,000)	545,000	545,000
Compensated Absences	296,144	325,459	(296,144)	325,459	325,459
Cap. Lease - Equipment	73,776	-	(29,103)	44,673	29,644
Cap. Lease - Hurst eDraulics	7,089	-	(7,089)	-	-
Cap. Lease - Motor Grader	139,405	-	(23,332)	116,073	20,441
Cap. Lease - Motor Grader	177,706	-	(22,541)	155,165	23,250
Cap. Lease - John Deere	<u>244,635</u>	<u>-</u>	<u>(81,545)</u>	<u>163,090</u>	<u>81,545</u>
 Total	 <u>\$ 3,024,755</u>	 <u>\$1,275,459</u>	 <u>\$ (1,640,754)</u>	 <u>\$ 2,659,460</u>	

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Note 10. Legal Debt Margin

The Legal debt margin was computed as follows at June 30, 2019:

Assessed Valuation-Real and Personal Property	\$ 35,584,559
Debt Limit (8% assessed valuation of taxable property)	2,846,765
Amount of debt applicable to limit	<u>(1,855,000)</u>
Debt Margin	<u>\$ 991,765</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 \$6,343,414.

Note 12. Trust Fund and Bail Bonds

The trust funds and bonds held by the General Fund at June 30, 2019, are as follows:

Clerk of Court Bail Bonds	\$ 84,542
Clerk of Court Trust Accounts	124,077
Probate Judge - Trust Funds	107
Local Option Sales Tax Reserve	(35,330)
Magistrate - Bonds and Fines	64,137
Master in Equity - Trust Funds	<u>77</u>
Total	<u>\$ 237,610</u>

Note 13. Employee Retirement Systems

Description of the Entity- The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. The Retirement System Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and

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assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems..

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

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

Plan Description- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

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

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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 ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor 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/current annual salary. A brief summary of benefit terms for each system is presented below.

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

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.

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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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 eighty-five 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 eighty-five percent. 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 eighty-five 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 eighty-five percent.

The Retirement System Funding and Administration Act 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 period.

Required employee contribution rates for fiscal year 2018-2019 are as follows:

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SCRS	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Employee Class Two	9.00% of earnable compensation	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation	9.00% of earnable compensation
PORS		
Employee Class Two	9.75 % of earnable compensation	9.75 % of earnable compensation
Employee Class Three	9.75 % of earnable compensation	9.75 % of earnable compensation

Required employer contributions for fiscal year 2018-2019 are as follows:

SCRS	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Employee Class Two	14.41 % of earnable compensation	13.41 % of earnable compensation
Employee Class Three	14.41 % of earnable compensation	13.41 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation	0.15 % of earnable compensation
PORS		
Employee Class Two	16.84 % of earnable compensation	15.84 % of earnable compensation
Employee Class Three	16.84 % of earnable compensation	15.84 % 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 five-year period. An experience report on the Systems was most recently issued as of June 30, 2015.

The June 30, 2018, 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, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

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	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:

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

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

Net Pension Liability- The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, 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	\$48,821,730,067	\$26,414,916,370	\$22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

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.

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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 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Tern Expected Portfolio Real Rate of Return</u>
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	<u>2.0%</u>	0.34%	<u>0.01%</u>
Total Expected Return	100%		5.03%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.28%</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.

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

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
System			
SCRS	\$ 10,413,795	\$ 8,149,694	\$ 6,531,078
PORS	\$ 4,078,832	\$ 3,025,559	\$ 2,162,841

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, 2018, (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, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2019, the County reported a liability of \$8,149,694 for the SCRS and \$3,025,559 for the PORS for a total of \$11,175,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2019, the County's proportion was 0.0363710 percent for the SCRS and .1067770 percent for the PORS measured as of June 30, 2019.

For the year ended June 30, 2019, the County recognized pension expense of \$288,657, plus employer's amortization of change in proportionate share and difference between employer contributions and proportionate share or contributions and deferred outflows and inflows of resources, \$1,089,754. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,933	\$ 47,959
Changes of assumption	522,824	-
Net difference between projected and actual earnings on pension plan investments	189,962	-
Changes in proportionate and differences between County contributions and proportionate share of contributions	86,870	289,809
County contributions subsequent to measurement date	<u>838,728</u>	<u>-</u>
Total	<u>\$ 1,746,317</u>	<u>\$ 337,768</u>

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The County's contributions subsequent to the measurement date of \$838,728 are reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2019	\$ 278,606	\$ 166,486	\$ 445,092
2020	155,027	129,452	\$ 284,479
2021	(169,714)	27,271	\$ (142,443)
2022	(19,972)	2,666	<u>\$ (17,306)</u>
Total	<u>\$ 799,987</u>	<u>\$ 289,767</u>	<u>\$ 1,089,754</u>

Payables to the Pension Plan- The County reported a payable to PEBA as of June 30, 2019, in the amount of \$12,573, representing required employer and employee contributions for the month of June 2019 for the Plans. This amount is included in Accrued Expenses in the financial statements and was paid July 2019.

Note 14. Post-Employment Health Care Benefits

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

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

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

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

The total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2019, actuarial valuation. The total OPEB liability was rolled forward from the valuation date to the OPEB plan’s fiscal year ended June 30, 2019, using generally accepted actuarial principles.

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

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

Actuarial Valuation Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions	
Inflation	2.25%
Investment Rate of Return:	4.0% Annual Return Net of Both Administrative and Investment Related Expenses
Single Discount Rate:	3.5 % as of June 30, 2019
Health Care Trend Rate:	Initial trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years.
Retiree Participation:	86 retirees who are eligible for funded premiums
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on scale AA from the year 2016. Multipliers are applied to the based tables based gender and employment type

The liability valuation method used is market value. The actuarial consultants intend to use a smoothing method over a 5 year period with 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, 2019, was 30 years.

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

NOL totals as of the June 30, 2019, measurement date are presented in the following table:

<u>Total OPEB Liability</u>	<u>Total Covered Payroll</u>	Total OPEB Liability as a Percentage of Covered Payroll
\$ 2,264,224	\$ 2,503,766	90.43%

As of June 30, 2019, the County reported a liability of approximately \$2,264,224 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined based on the most recent actuarial valuation report as of June 30, 2019.

The following table presents the sensitivity of the County's net OPEB liability to changes in the discount rate, calculated using the discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using a discount rate of 1% lower or 1% higher:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 2,565,694	\$ 2,264,224	\$ 2,032,098

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

	1% Decrease	Current Rates	1% Increase
Total OPEB Liability	\$ 1,996,111	\$ 2,264,224	\$ 2,623,085

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

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 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 \$157,644.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

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, 2019, the County received \$1,146,979 in fees from a third party owned landfill. This amount accounted for 21% of total licenses, permits, fines and fees revenue and 7% 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 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 \$480,957 in tax year 2019.

According to South Carolina Department of Revenue reports, capital investment committed to in the existing FILOT agreements was \$19,122,321. This investment resulted in FILOT payments of \$262,180 to Lee County in tax year 2019.

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note #1 - the City of Bishopville received \$47,340 from this fee agreement with South Atlantic Cannery based on their millage rate during tax year 2019.

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 2019, this portion of the FILOT payments paid to Lee County was \$52,346.

Note 21. Multi County Industrial or Business Park:

South Carolina Code 4-1-170 provides that a joint industrial or business park (referred to as a multi-county industrial park) can be established by two or more counties pursuant to a written agreement between those counties, as provided in Section 13 of Article VIII of the South Carolina Constitution. The agreement will establish how the counties will share the expenses and revenues generated by the multi-county or business park. Lee County has multi-county industrial park agreements with two South Carolina counties. In 2019 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 \$2,622.

Note 22. Pending Implementation of GASB Statements

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the County. The statements which might impact the County 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. 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 December 17, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GENERAL FUND

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

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property	\$ 3,825,000	\$ 3,796,855	\$ (28,145)
Vehicle	750,000	819,130	69,130
Local Option Sales Tax	1,116,000	1,236,678	120,678
Delinquent Property	390,000	377,008	(12,992)
Homestead Reimbursement	650,000	641,124	(8,876)
Accommodations Tax	155,429	215,595	60,166
Hospitality Tax	245,000	264,468	19,468
Fee In Lieu of Tax	119,000	129,468	10,468
Penny Sales Tax	-	1,082,461	1,082,461
Inventory Reimbursement	42,700	20,605	(22,095)
	<u>7,293,129</u>	<u>8,583,392</u>	<u>1,290,263</u>
Total Taxes			
Licenses, Fees and Permits			
Landfill	1,153,000	1,146,979	(6,021)
Planning and Zoning	41,600	57,603	16,003
Administrative	60,000	69,106	9,106
Economic Development	-	46,543	46,543
Emergency Medical Services	1,112,000	1,036,689	(75,311)
Sheriff	185,400	111,510	(73,890)
Sumter-Lee Detention Center	159,000	286,658	127,658
Civil Defense	19,500	19,479	(21)
Probate Court	33,970	61,556	27,586
Magistrate	280,000	145,621	(134,379)
Clerk of Court	130,600	138,074	7,474
Master of Equity	10,000	9,908	(92)
Recreation	36,500	32,132	(4,368)
Library	5,000	7,146	2,146
Treasurer	155,400	146,838	(8,562)
Tax Collection	40,124	41,351	1,227
Auditor	400	530	130
Assessor	1,250	1,686	436
Road Maintenance	228,000	1,829,933	1,601,933
Miscellaneous	1,701	101,209	99,508
E-911	100,000	-	(100,000)
Animal Shelter	41,500	31,882	(9,618)
Airport	-	27,621	27,621
Cable and Other Franchise Fees	36,000	28,734	(7,266)
	<u>3,830,945</u>	<u>5,378,788</u>	<u>1,547,843</u>
Total Licenses, Permits, Fines and Fees			

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Intergovernmental Revenue and Other Revenue:			
State Aid	\$ 844,393	\$ 739,906	\$ (104,487)
Election Commission	32,000	50,159	18,159
State Salary Supplements	6,300	6,300	-
State Disaster Preparedness	-	27,112	27,112
Solid Waste, Oil and Tire Grants	195,500	131,752	(63,748)
E-911 State Revenue	-	512,048	512,048
Emergency Medical Services	4,000	3,711	(289)
State Motor Carrier	110,000	152,817	42,817
State Manufacturing Exemption	118,000	70,643	(47,357)
Library	45,000	96,739	51,739
Recreation Department	25,000	57,148	32,148
Veteran Affairs	-	4,704	4,704
Grants	-	219,608	219,608
Department of Social Services	<u>125,000</u>	<u>148,722</u>	<u>23,722</u>
Total Intergovernmental and Other Revenue	<u>1,505,193</u>	<u>2,221,369</u>	<u>716,176</u>
Total Revenues	<u>12,629,267</u>	<u>16,183,549</u>	<u>3,554,282</u>

Expenditures

General Government

County Council			
Personnel	132,392	131,459	933
Operating	<u>36,737</u>	<u>24,121</u>	<u>12,616</u>
Total County Council	<u>169,129</u>	<u>155,580</u>	<u>13,549</u>
County Administrator			
Personnel	499,717	502,768	(3,051)
Operating	<u>24,924</u>	<u>81,912</u>	<u>(56,988)</u>
Total County Administrator	<u>524,641</u>	<u>584,680</u>	<u>(60,039)</u>
County Attorney			
Personnel	97,385	97,586	(201)
Operating	<u>7,595</u>	<u>50,984</u>	<u>(43,389)</u>
Total Court Attorney	<u>104,980</u>	<u>148,570</u>	<u>(43,590)</u>

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Airport			
Operating	\$ (5,000)	\$ 25,181	\$ (30,181)
Total Airport	<u>(5,000)</u>	<u>25,181</u>	<u>(30,181)</u>
Planning and Zoning			
Personnel	69,307	66,523	2,784
Operating	<u>52,510</u>	<u>46,259</u>	<u>6,251</u>
Total Planning and Zoning	<u>121,817</u>	<u>112,782</u>	<u>9,035</u>
Treasurer			
Personnel	152,203	155,050	(2,847)
Operating	<u>41,100</u>	<u>41,335</u>	<u>(235)</u>
Total Treasurer	<u>193,303</u>	<u>196,385</u>	<u>(3,082)</u>
Delinquent Tax Collector			
Personnel	122,468	116,558	5,910
Operating	<u>64,900</u>	<u>25,481</u>	<u>39,419</u>
Total Delinquent Tax Collector	<u>187,368</u>	<u>142,039</u>	<u>45,329</u>
Auditor			
Personnel	149,034	150,927	(1,893)
Operating	<u>81,148</u>	<u>82,737</u>	<u>(1,589)</u>
Total Auditor	<u>230,182</u>	<u>233,664</u>	<u>(3,482)</u>
Assessor			
Personnel	277,098	281,676	(4,578)
Operating	<u>41,325</u>	<u>32,706</u>	<u>8,619</u>
Total Assessor	<u>318,423</u>	<u>314,382</u>	<u>4,041</u>
Animal Shelter			
Personnel	78,550	78,791	(241)
Operating	<u>55,000</u>	<u>76,275</u>	<u>(21,275)</u>
Total Animal Control	<u>133,550</u>	<u>155,066</u>	<u>(21,516)</u>
Total General Government	<u>1,978,393</u>	<u>2,068,329</u>	<u>(89,936)</u>

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Judicial

Coroner			
Personnel	\$ 68,645	\$ 67,515	\$ 1,130
Operating	<u>19,400</u>	<u>30,033</u>	<u>(10,633)</u>
Total Coroner	<u>88,045</u>	<u>97,548</u>	<u>(9,503)</u>
Probate Court			
Personnel	126,042	129,145	(3,103)
Operating	<u>15,775</u>	<u>9,257</u>	<u>6,518</u>
Total Probate Court	<u>141,817</u>	<u>138,402</u>	<u>3,415</u>
Magistrate Court			
Personnel	269,515	255,539	13,976
Operating	<u>23,100</u>	<u>20,144</u>	<u>2,956</u>
Total Magistrate Court	<u>292,615</u>	<u>275,683</u>	<u>16,932</u>
Clerk of Court			
Personnel	274,196	266,171	8,025
Operating	<u>81,167</u>	<u>63,110</u>	<u>18,057</u>
Total Clerk of Court	<u>355,363</u>	<u>329,281</u>	<u>26,082</u>
Master in Equity			
Personnel	18,649	18,781	(132)
Operating	<u>6,900</u>	<u>6,806</u>	<u>94</u>
Total Master in Equity	<u>25,549</u>	<u>25,587</u>	<u>(38)</u>
Total Judicial	<u>903,389</u>	<u>866,501</u>	<u>36,888</u>

Public Safety

Sheriff			
Personnel	1,476,949	1,401,530	75,419
Operating	<u>279,118</u>	<u>298,044</u>	<u>(18,926)</u>
Total Sheriff	<u>1,756,067</u>	<u>1,699,574</u>	<u>56,493</u>
Jail			
Operating	<u>698,389</u>	<u>523,792</u>	<u>174,597</u>

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Rural Fire			
Personnel	\$ 242,242	\$ 225,895	\$ 16,347
Operating	<u>199,200</u>	<u>225,944</u>	<u>(26,744)</u>
Total Rural Fire	<u>441,442</u>	<u>451,839</u>	<u>(10,397)</u>
Civil Defense			
Personnel	127,092	127,939	(847)
Operating	<u>4,700</u>	<u>26,606</u>	<u>(21,906)</u>
Total Civil Defense	<u>131,792</u>	<u>154,545</u>	<u>(22,753)</u>
E-911 Dispatching			
Personnel	328,900	325,063	3,837
Operating	<u>173,300</u>	<u>258,388</u>	<u>(85,088)</u>
Total E-911 Dispatching	<u>502,200</u>	<u>583,451</u>	<u>(81,251)</u>
Emergency Medical Services			
Personnel	1,304,182	1,265,348	38,834
Operating	<u>225,800</u>	<u>243,707</u>	<u>(17,907)</u>
Total Emergency Medical Services	<u>1,529,982</u>	<u>1,509,055</u>	<u>20,927</u>
Total Public Safety	<u>5,059,872</u>	<u>4,922,256</u>	<u>137,616</u>
Culture and Recreation			
Parks and Recreation			
Personnel	132,653	145,880	(13,227)
Operating	<u>60,800</u>	<u>44,466</u>	<u>16,334</u>
Total Parks and Recreation	<u>193,453</u>	<u>190,346</u>	<u>3,107</u>
Library			
Personnel	190,123	187,327	2,796
Operating	<u>30,150</u>	<u>90,203</u>	<u>(60,053)</u>
Total Library	<u>220,273</u>	<u>277,530</u>	<u>(57,257)</u>
Total Culture and Recreation	<u>413,726</u>	<u>467,876</u>	<u>(54,150)</u>

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Public Works

Administration			
Personnel	\$ 583,323	\$ 518,222	\$ 65,101
Operating	<u>432,850</u>	<u>1,596,355</u>	<u>(1,163,505)</u>
Total Administration	<u>1,016,173</u>	<u>2,114,577</u>	<u>(1,098,404)</u>
Building Maintenance			
Personnel	90,592	97,600	(7,008)
Operating	<u>129,345</u>	<u>131,600</u>	<u>(2,255)</u>
Total Building Maintenance	<u>219,937</u>	<u>229,200</u>	<u>(9,263)</u>
Total Public Works	<u>1,236,110</u>	<u>2,343,777</u>	<u>(1,107,667)</u>

Boards and Commissions

Election and Voter Registration			
Personnel	117,549	103,696	13,853
Operating	<u>31,494</u>	<u>26,315</u>	<u>5,179</u>
Total Election and Voter Registration	<u>149,043</u>	<u>130,011</u>	<u>19,032</u>
Economic Development			
Operating	<u>125,000</u>	<u>130,265</u>	<u>(5,265)</u>
Total Economic Development	<u>125,000</u>	<u>130,265</u>	<u>(5,265)</u>
Veterans Affairs			
Personnel	44,844	44,997	(153)
Operating	<u>6,663</u>	<u>3,994</u>	<u>2,669</u>
Total Veterans Affairs	<u>51,507</u>	<u>48,991</u>	<u>2,516</u>
Total Boards and Commissions	<u>325,550</u>	<u>309,267</u>	<u>16,283</u>

Non-Departmental

General Services			
Operating	<u>1,490,500</u>	<u>1,772,443</u>	<u>(281,943)</u>

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2019
(Continued)

Outside Agencies			
Operating	\$ 376,949	\$ 378,001	\$ (1,052)
Contract Services			
Operating	67,001	59,383	7,618
Total Non-Departmental	<u>1,934,450</u>	<u>2,209,827</u>	<u>(275,377)</u>
Capital Outlay			
Sheriff	-	23,500	(23,500)
EMS	-	23,004	(23,004)
General Services	-	1,007,446	(1,007,446)
Parks and Recreation	25,000	67,754	(42,754)
E-911 Dispatching	-	30,276	(30,276)
Total Capital Outlay	<u>25,000</u>	<u>1,151,980</u>	<u>(1,126,980)</u>
Debt Service			
Principal	757,287	1,344,609	(587,322)
Interest	-	60,880	(60,880)
Total Debt Service	<u>757,287</u>	<u>1,405,489</u>	<u>(648,202)</u>
Total Expenditures	<u>12,633,777</u>	<u>15,745,302</u>	<u>(3,111,525)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,510)</u>	<u>438,247</u>	<u>442,757</u>
Other Financing Sources (Uses)			
Interest Income	4,510	139,131	134,621
Bond Proceeds	-	950,000	950,000
Total Other Financing Sources	<u>4,510</u>	<u>1,089,131</u>	<u>1,084,621</u>
Contributions to Other Governments	<u>-</u>	<u>(89,637)</u>	<u>89,637</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>1,437,741</u>	<u>\$ 1,617,015</u>
Fund Balance, Beginning of Year - As Restated		<u>8,084,137</u>	
Fund Balance, End of Year		<u>\$ 9,521,878</u>	

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 7,293,129	\$ 7,293,129	\$ 8,583,392	\$ 1,290,263
Licenses, Permits, Fines and Fees	3,830,945	3,830,945	5,378,788	1,547,843
Intergovernmental Revenues	<u>1,505,193</u>	<u>1,505,193</u>	<u>2,221,369</u>	<u>716,176</u>
Total Revenues	<u>12,629,267</u>	<u>12,629,267</u>	<u>16,183,549</u>	<u>3,554,282</u>
Expenditures				
Current:				
General Government	1,978,393	1,978,393	2,068,329	(89,936)
Judicial	903,389	903,389	866,501	36,888
Public Safety	5,059,872	5,059,872	4,922,256	137,616
Culture and Recreation	413,726	413,726	467,876	(54,150)
Public Works	1,236,110	1,236,110	2,343,777	(1,107,667)
Boards and Commissions	325,550	325,550	309,267	16,283
Non-Departmental	1,934,450	1,934,450	2,209,827	(275,377)
Capital Outlay	25,000	25,000	1,151,980	(1,126,980)
Debt Service:				
Principal	757,287	757,287	1,344,609	(587,322)
Interest	<u>-</u>	<u>-</u>	<u>60,880</u>	<u>(60,880)</u>
Total Expenditures	<u>12,633,777</u>	<u>12,633,777</u>	<u>15,745,302</u>	<u>(3,111,525)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(4,510)</u>	<u>(4,510)</u>	<u>438,247</u>	<u>442,757</u>
Other Financing Sources (Uses)				
Interest Income	4,510	4,510	139,131	134,621
Bond Proceeds	<u>-</u>	<u>-</u>	<u>950,000</u>	<u>950,000</u>
Total Other Financing Sources	<u>4,510</u>	<u>4,510</u>	<u>1,089,131</u>	<u>1,084,621</u>
Contributions to Other Governments				
	<u>-</u>	<u>-</u>	<u>(89,637)</u>	<u>89,637</u>
Net Change in Fund Balance				
	<u>\$ -</u>	<u>\$ -</u>	1,617,015	<u>\$ 1,617,015</u>
Fund Balance, Beginning of Year - As Restated				
			<u>8,084,137</u>	
Fund Balance, End of Year				
			<u>\$ 9,701,152</u>	

**LEE COUNTY, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For the Fiscal Year Ended June 30, 2019**

SCRS	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
County's proportion of the net pension liability (asset)	0.0363710%		0.0379840%		0.0373660%		0.0370490%		0.0377390%
County's proportionate share of the net pension liability (asset)	\$ 8,149,694	\$	8,550,809	\$	7,981,322	\$	7,026,521	\$	6,437,318
County's covered employee payroll	\$ 2,988,410	\$	3,769,277	\$	3,832,282	\$	3,618,370	\$	3,473,751
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.67%		44.08%		48.02%		51.50%		53.96%
Plan fiduciary net position as a percentage of total pension liability	123.08%		170.02%		158.69%		139.71%		128.00%
PORS	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
County's proportion of the net pension liability (asset)	0.1067770%		0.107420%		0.106550%		0.108280%		0.112060%
County's proportionate share of the net pension liability (asset)	\$ 3,025,559	\$	2,942,891	\$	2,702,588	\$	2,359,915	\$	2,145,288
County's covered employee payroll	\$ 1,575,329	\$	1,477,948	\$	1,437,224	\$	1,358,358	\$	1,341,410
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.07%		50.22%		53.18%		57.56%		62.53%
Plan fiduciary net position as a percentage of total pension liability	45.69%		58.51%		53.74%		46.92%		42.66%

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

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 820,704	\$ 697,302	\$ 647,672	\$ 586,830	\$ 558,522
Contributions in relation to contractually required contribution	<u>820,704</u>	<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>	<u>\$ -</u>
County's covered-employee payroll	\$ 4,563,739	\$ 5,247,225	\$ 5,269,506	\$4,976,728	\$4,815,161
Contributions as a percentage of covered-employee payroll	17.98%	13.29%	12.29%	11.79%	11.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available
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**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY
For the Fiscal Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's Proportionate Share of the Net OPEB Liability	\$2,264,224	\$2,108,980	\$2,056,540
Covered Payroll*	\$2,503,766	\$2,291,138	\$2,674,675
County's Proportionate Share of the Net OPEB Liability as a percentage of covered payroll	90.43%	92.05%	76.89%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	34.20%	41.93%	31.36%

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

**LEE COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2019**

	2019	2018
Actuarially Determined Employer Contribution (ADEC)	\$ 111,142	\$ 151,449
Contributions in relation to the ADEC	109,418	108,612
Annual contribution deficiency (excess)	\$ 1,724	\$ 42,837
Covered Payroll*	\$2,503,766	\$2,291,138
Actual contributions as a percentage of covered payroll	4.37%	4.74%

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

LEE COUNTY, SOUTH CAROLINA
NOTES TO THE REQUIRED
SUPPLEMENTAL INFORMATION
June 30, 2019

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, 2019, the expenditure categories of General Government, Culture and Recreation, Public Works and Non-Departmental had expenditures in excess of budgeted amounts of \$89,936, \$54,150, \$1,107,667 and \$275,377 respectively. General Government,

**LEE COUNTY, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, FEES AND ASSESSMENTS
June 30, 2019**

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court Fines and Assessments Collected	\$ 77,454	\$ 325,987	\$ -	\$ 403,441
Court Fines and Assessments Remitted to State Treasurer	(63,744)	(225,506)	-	\$ (289,250)
Total Court Fines and Assessments Retained	13,710	100,481	-	\$ 114,191
Surcharges and Assessments Retained for Victim Services:				
Surcharges Collected and Retained	3,322	3,636	-	\$ 6,958
Assessments Retained	1,765	13,251	-	\$ 15,016
Total Surcharges and Assessments Retained for Victim Services	5,087	16,887	-	\$ 21,974
FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)				
<u>VICTIM SERVICE FUNDS COLLECTED</u>		Municipal	County	Total
Carryforward from Previous Year - Beginning Balance		-	17,217	17,217
<u>Victim Service Revenue:</u>				
Victim Service Fines Retained by City/County Treasurer		-	21,974	21,974
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		-	-	-
General Funds Transferred to Victim Service Fund				
Insurance Proceeds		-	2,461	2,461
		-	-	-
		-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)		-	41,652	41,652
<u>Expenditures for Victim Service Program:</u>		Municipal	County	Total
Salaries and Benefits		-	23,039	23,039
Operating Expenditures		-	5,716	5,716
Victim Service Contract(s):				
(1) Entity's Name		-	-	-
(2) Entity's Name		-	-	-
Victim Service Donation(s):				
(1) Domestic Violence Shelter: Safe Passage Inc.		-	-	-
(2) Rape Crisis Center:		-	-	-
(3) Other Local Direct Crime Victims Service Agency:		-	-	-
Transferred to General Fund		-	-	-
Total Expenditures From Victim Service Fund/Program (B)		-	28,755	28,755
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)		-	-	-
Less: Prior Year Fund Deficit Repayment		-	-	-
Carryforward Funds - End of Year		-	12,897	12,897

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
LEE COUNTY PUBLIC LIBRARY
For the Fiscal Year Ended June 30, 2019

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Local Sources:				
County Tax Appropriation	\$ 6,181	\$ 183,727	\$ 183,727	\$ 6,181
Fines, Fees and Gifts	<u>27,139</u>	<u>7,146</u>	<u>7,302</u>	<u>26,983</u>
Total	<u>33,320</u>	<u>190,873</u>	<u>191,029</u>	<u>33,164</u>
State Sources:				
Education Lottery	-	21,739	21,739	-
State Aid	<u>-</u>	<u>75,000</u>	<u>63,750</u>	<u>11,250</u>
Total	<u>-</u>	<u>96,739</u>	<u>85,489</u>	<u>11,250</u>
Federal Sources:				
LSTA	<u>515</u>	<u>775</u>	<u>540</u>	<u>750</u>
Total All Sources of Funds	<u>\$ 33,835</u>	<u>\$ 288,387</u>	<u>\$ 277,058</u>	<u>\$ 45,164</u>
Cash				<u>\$ 33,835</u>

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.

**LEE COUNTY, SOUTH CAROLINA
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – SCHOOL FUND
 For the Fiscal Year Ended June 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets:				
Cash and Cash Equivalents	\$ 2,539,972	\$ 3,317,170	\$ 3,359,819	\$ 2,497,323
Due From General Fund	<u>132,190</u>	<u>115,386</u>	<u>132,190</u>	<u>115,386</u>
 Total Assets	 <u>2,672,162</u>	 <u>3,432,556</u>	 <u>3,492,009</u>	 <u>2,612,709</u>
 Liabilities:				
Due to Schools	<u>2,672,162</u>	<u>3,432,556</u>	<u>3,492,009</u>	<u>2,612,709</u>
 Total Liabilities	 <u>\$ 2,672,162</u>	 <u>\$ 3,432,556</u>	 <u>\$ 3,492,009</u>	 <u>\$ 2,612,709</u>

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

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

REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
DOUGLAS S. RYAN, CPA
CHRISTOPHER H. HARRELL
JOHN F. MARTIN
JOHN C. BOYKIN, III
MEREDITH A. BLAKE

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

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

WEBSITE: WWW.SHGCPA.COM

December 17, 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, 2019, and the related notes to the financial statements, which collectively comprise Lee County's basic financial statements and have issued our report thereon dated December 17, 2019.

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 19-1 and 19-3 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 19-2 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 & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

LEE COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019
(Continued)

FINDINGS RELATED TO FINANCIAL STATEMENTS

19-1 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.

19-2 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 QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019
(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.

19-3 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.