

CHEROKEE COUNTY

South Carolina



Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2018

CHEROKEE COUNTY, SOUTH CAROLINA

FINANCIAL STATEMENTS AND SCHEDULES

YEAR ENDED JUNE 30, 2018

PREPARED BY FINANCE DEPARTMENT

STEVE BRATTON, ADMINISTRATOR

CHEROKEE COUNTY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| INTRODUCTORY SECTION | | |
| List of Principal Officials | | 1 |
| Organizational Chart | | 2 |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 3-4 |
| Management's Discussion and Analysis (Required Supplementary Information) | | 5-13 |
| Basic Financial Statements | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | A | 14 |
| Statement of Activities | B | 15 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | C | 16 |
| Reconciliation of the Total Governmental Funds Balance Sheet to the Statement of Net Position | D | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | E | 18 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | F | 19 |
| Statement of Fiduciary Net Position – Agency Funds | G | 20 |

CHEROKEE COUNTY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS – Continued

| | <u>Exhibit</u> | <u>Page</u> |
|---|-----------------|-------------|
| Notes to Financial Statements – Index | | 21 |
| Notes to Financial Statements | | 22-53 |
| | <u>Schedule</u> | <u>Page</u> |
| Required Supplementary Information: | | |
| Schedule of County's Proportionate Share of the Net Pension Liability (SCRS) | 1 | 54 |
| Schedule of the County's Contributions (SCRS) | 2 | 54 |
| Schedule of County's Proportionate Share of the Net Pension Liability (PORS) | 3 | 55 |
| Schedule of the County's Contributions (PORS) | 4 | 55 |
| Budgetary Comparison Schedule – General Fund | 5 | 56-57 |
| Schedule of Changes in the County's Total OPEB Liability And Related Ratios | 6 | 58 |
| Combining and Individual Nonmajor Fund Financial Statements and Schedules: | | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 7 | 59-63 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 8 | 64-68 |
| Combining Statement of Fiduciary Net Position– Agency Funds | 9 | 69-70 |
| Combining Statement of Changes in Net Position – Agency Funds | 10 | 71-74 |
| Combining Balance Sheet – Fire Districts | 11 | 75 |
| Combining Statement of Revenues, Expenditures and Changes In Fund Balance – Fire Districts | 12 | 76 |
| Capital Assets Used in the Operation of Governmental Funds: Schedule by Function and Activity | 13 | 77 |
| Schedule of Changes by Function and Activity | 14 | 78 |

CHEROKEE COUNTY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS – Continued

| | <u>Schedule</u> | <u>Page</u> |
|--|-----------------|-------------|
| COMPLIANCE SECTION | | |
| Supplementary Information Required by State of South Carolina: | | |
| Summary Schedule of Court Fines, Assessments and Surcharges – Clerk of Court and Magistrate Court | 15 | 79 |



INTRODUCTORY SECTION

CHEROKEE COUNTY, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2018

Council Meets – First and Third Monday, 5:00 PM
Form of Government – Council/Administrator
Method of Election – Single Member

County Seat – Gaffney
Zip Code – 29340
Population – 56,150

Members of County Council

Tim Spencer
Quay Little
Charles T. Mathis, Jr.
Tracy A. McDaniel
Charles T. Mathis
Mike Fowlkes
David Smith

County Council Chairman
County Council Vice-Chairman
County Council
County Council
County Council
County Council
County Council

Elected Officials

Jackie Williams
Merv Bishop
Brandy W. McBee
Steve Mueller
Dennis G. Fowler
Joshua Queen
Barry Barnette

Treasurer
Auditor
Clerk of Court
Sheriff
Coroner
Probate Judge
Solicitor

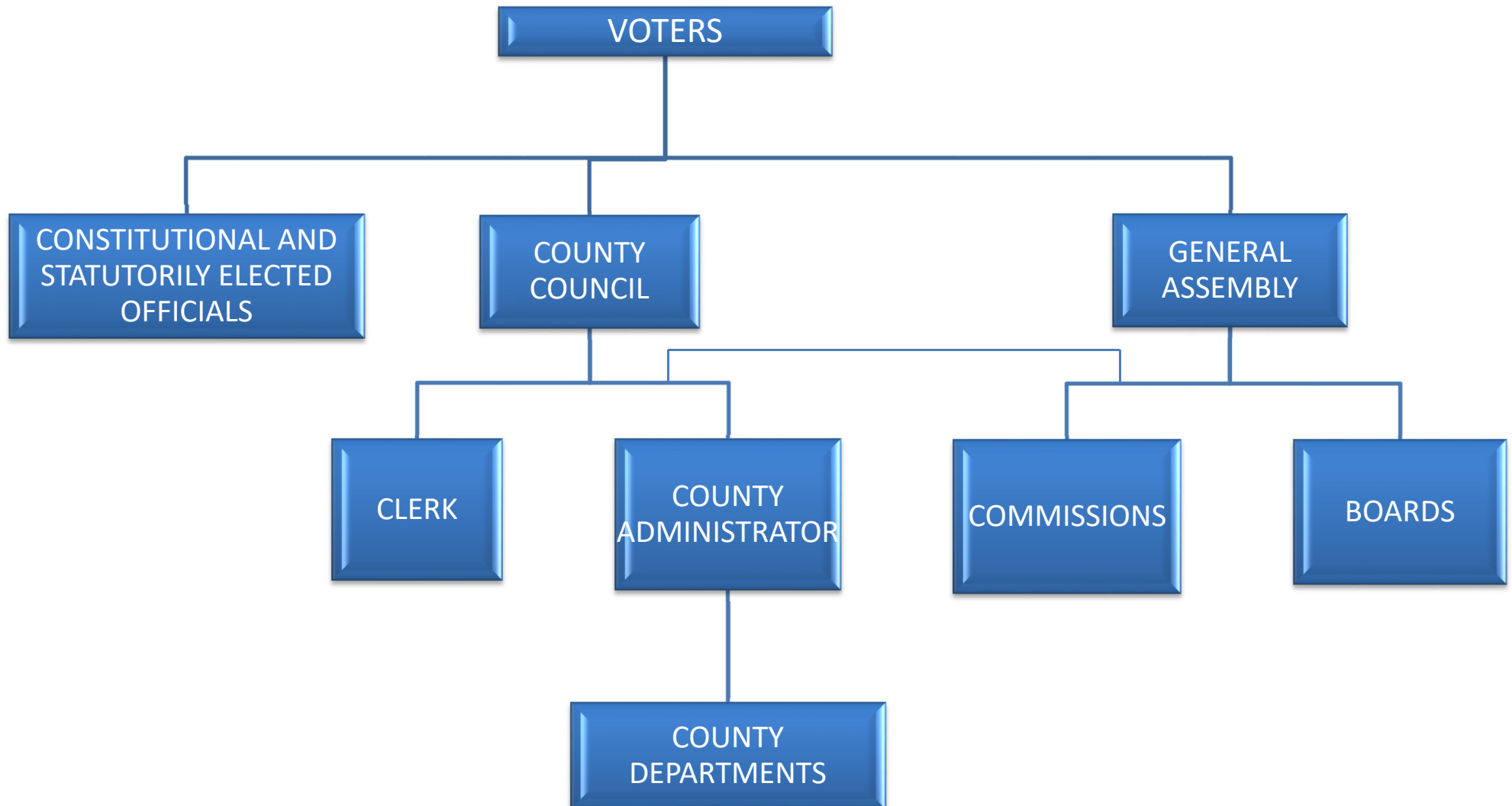
Appointed Official

Steve Bratton

Administrator

CHEROKEE COUNTY, SOUTH CAROLINA

ORGANIZATIONAL CHART





FINANCIAL SECTION

To the Council and Finance Committee of
Cherokee County, South Carolina

INDEPENDENT AUDITOR'S REPORT

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 Cherokee County, South Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 principles 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 Cherokee County, South Carolina, as of June 30, 2018, and the respective changes in financial position 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 required supplementary information as listed in the table of contents 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 Cherokee County, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and the compliance section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the compliance section as listed in the table of contents 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 nonmajor fund financial statements and schedules and the compliance section as listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McAbee, Schwartz, Halliday & Co.

Spartanburg, South Carolina
October 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Cherokee County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2018. This section should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The assets of the County exceeded its liabilities at June 30, 2018 by \$48,332,396 (net position). This amount is greater than net investment in capital assets by \$12,842,838. Net position categories show the portion that must be spent for specific purposes.
- The County's total net position decreased by \$2,164,072 from governmental activities.
- As of June 30, 2018, the County's governmental funds reported combined ending fund balances of \$41,810,943, a decrease of \$706,095 (including \$2,664,346 from the affiliated Economic Development Corporation) from the prior year. Of the combined ending fund balances amount, \$25,025,376 is available for use at the County's discretion.
- At June 30, 2018, unassigned fund balance for the General Fund was \$24,446,079, or approximately 85 percent of total general fund expenditures and transfers out.
- The County's total long-term debt (excluding landfill closure costs, unfunded OPEB costs and compensated absences) decreased by \$650,000, or 11.74 percent in County obligations during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: government-wide financial statements; fund financial statements; notes to the financial statements, and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Cherokee County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Cherokee County's assets and liabilities, with the difference of the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Cherokee County is improving or deteriorating. Net position shows restrictions on these assets.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Activity during this fiscal year was from governmental activities of the County that is comprised of general government, public safety, transportation, health and human services, environmental and housing, culture and recreation, economic development initiatives, and other.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

Cherokee County maintains fifty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital projects funds and economic development corporation, which are considered to be major funds. Data from the other fifty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with these budgets.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, no operations but rather assets equal liabilities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general fund and information concerning the County's progress in funding its obligation to provide OPEB benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds, fiduciary fund data, and capital asset data are presented following the required supplementary information section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1
Cherokee County's Net Position

| | Governmental Activities | | Total Percent Change |
|--|----------------------------|----------------------|----------------------------|
| | <u>2018</u> | <u>2017</u> | <u>2017-2018</u> |
| Current and Other Assets | \$ 47,820,727 | \$ 47,846,939 | -0.1% |
| Capital Assets | 40,389,558 | 43,120,610 | -6.3% |
| Total Assets | 88,210,285 | 90,967,549 | -3.0% |
| Deferred outflow of resources | | | |
| Deferred amounts related to pensions | 4,420,251 | 3,552,628 | 24.4% |
| Total assets and deferred outflows of resources | 92,630,536 | 94,520,177 | -2.0% |
| Current Liabilities | 27,284,236 | 24,833,856 | 9.9% |
| Long-term Liabilities | 16,886,924 | 18,305,493 | -7.7% |
| Total Liabilities | 44,171,160 | 43,139,349 | 2.4% |
| Deferred inflow of resources | | | |
| Deferred amounts related to pensions | 126,980 | - | * |
| Total liabilities and deferred outflows of resources | 44,298,140 | 43,139,349 | 2.7% |
| Net Position | | | |
| Net investment in capital assets | 35,489,558 | 37,570,610 | -5.5% |
| Restricted | 9,127,355 | 9,971,317 | -8.5% |
| Unrestricted | 3,715,483 | 3,838,901 | -3.2% |
| Total Net Position | 48,332,396 | 51,380,828 | -5.9% |
| Total Liabilities and Net Position | \$ 92,630,536 | \$ 94,520,177 | -2.0% |

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$48,332,396, as of June 30, 2018. (See Table 1). The largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure), less any related debt, to acquire those assets, still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors. The net position decreased by \$3,786,995. This decrease was partially due to governmental operating activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued

Table 2
Changes in Cherokee County's Net Position

| | Governmental Activities | | Total |
|--|-------------------------|----------------------|------------------|
| | Total | | Percent |
| | <u>2018</u> | <u>2017</u> | <u>2017-2018</u> |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 2,638,391 | \$ 2,588,280 | 1.9% |
| Operating grants and contributions | 4,599,665 | 3,796,009 | 21.2% |
| Capital grants and contributions | 71,115 | 552,225 | -87.1% |
| General Revenues: | | | |
| Property taxes | 20,472,162 | 19,668,355 | 4.1% |
| Other taxes | 467,184 | 471,106 | -0.8% |
| Other | 2,835,574 | 3,284,324 | -13.7% |
| Total Revenues | <u>31,084,091</u> | <u>30,360,299</u> | <u>2.4%</u> |
| Expenses: | | | |
| General government | 10,080,250 | 9,075,414 | 11.1% |
| Public safety | 14,073,648 | 12,549,976 | 12.1% |
| Transportation | 3,364,755 | 4,730,303 | -28.9% |
| Health and human services | 858,253 | 1,022,910 | -16.1% |
| Environmental and housing | 3,734,591 | 2,823,167 | 32.3% |
| Culture and recreation | 944,085 | 1,309,948 | -27.9% |
| Economic development | 8,206 | 2,949 | 178.3% |
| Unallocated interest expense | 184,375 | 206,550 | -10.7% |
| Total Expenses | <u>33,248,163</u> | <u>31,721,217</u> | <u>4.8%</u> |
| Increase (Decrease) in Net Position Before Transfers | (2,164,072) | (1,360,918) | 59.0% |
| Transfers | - | - | 0.0% |
| Change in Net Position | (2,164,072) | (1,360,918) | 59.0% |
| Beginning Net Position - Restated | <u>50,496,468</u> | <u>52,741,746</u> | <u>-4.3%</u> |
| Ending Net Position | <u>\$ 48,332,396</u> | <u>\$ 51,380,828</u> | <u>-5.9%</u> |

Change in net position. The County's total revenues increased by 2.4 percent to approximately \$31.1 million, primarily as a result of increased operation grants and contributions and also increased property tax revenues, partially offset by a decrease in capital grants and contributions (See Table 2).

GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued

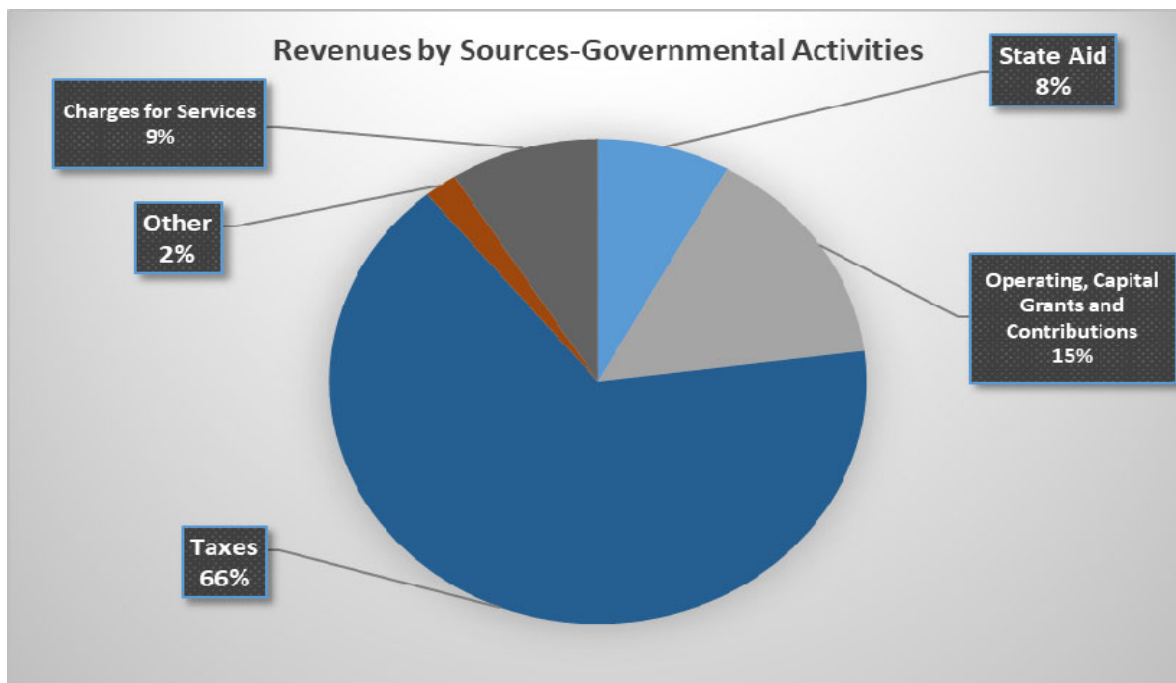
The County's total cost of all programs and services had an increase of 7.1 percent. This increase is due primarily to increases in payroll and benefits expense, public safety expenditures, and environmental and housing expenditures.

Governmental Activities

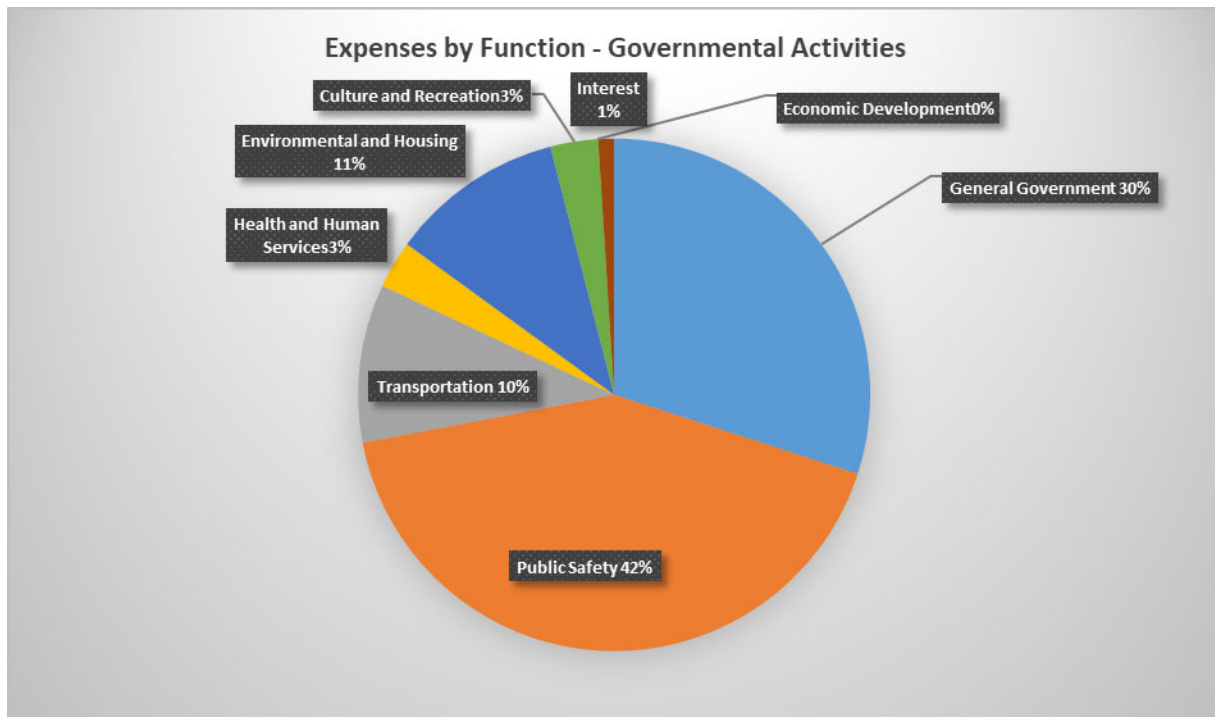
The County's governmental activities had net (expense) revenue of (\$25,938,992). However, these services are intended to be primarily funded by taxes, as opposed to charges for services and grants, and those taxes and other general revenues. Expenses did exceed total revenues by \$2,164,072.

Total revenues for the County's governmental activities increased by 2.4 percent, and total expenses increased 4.8 percent. Factors contributing to these results included:

- Increases in property taxes, due primarily to increased valuations resulting from construction and property purchases.
- Increases in payroll and benefits costs across all functions.
- Increases in expenditures for public safety, general government, and environmental and housing.



GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued



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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year.

At June 30, 2018, the County's governmental funds reported combined ending fund balances of \$41,810,943, a decrease of \$706,095 from the prior year. This decrease resulted mainly from a \$1,600,000 payment towards the principal of a loan on a spec building from the Cherokee County Economic Development Corporation, partially offset by other governmental fund operations.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – continued

Approximately 60 percent of the combined fund balances (\$25,025,376) constitute unassigned fund balance, which is available for spending at the County's discretion. Nineteen percent of the combined fund balances (\$7,867,661) is assigned for various types of cultural, administrative and capital projects. The majority of the remaining balance is restricted (\$8,590,508) to indicate that it is not available for new spending because it has constraints established by parties outside the government or by enabling legislation. The remainder of the balance is nonspendable; which is comprised of prepaids (\$327,398).

The general fund is the chief operating fund of the County. At June 30, 2018, unassigned fund balance of the general fund was \$24,446,079 and total fund balance was \$29,628,739. As a measure of the general fund's liquidity, the unassigned fund balance represents approximately 83 percent of total general fund expenditures and transfers out.

The capital fund has a total fund balance of \$960,977, all of which is assigned for capital projects. The net increase in fund balance during the current fiscal year was \$217,660. Funds were primarily spent for capital assets and infrastructure improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

A budget and actual comparison schedule for the General Fund is provided in the Required Supplementary Information. The schedule shows the original adopted budget, the final budget, the actual results on GAAP basis, and the variance between budget and actual. After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, new bond or loan proceeds, new grant awards, or other unanticipated revenues.

Actual revenues were higher than the projected amounts by \$2,173,147 primarily due to increased intergovernmental revenues, increased tax revenues, and interest earnings. Actual expenditures were under budget by \$740,565 due to the continued implementation of cost control measures in the general government, environmental and housing and transportation (roads and bridges), partially offset by increases in salary and related employee benefit costs, primarily due to the continued implementation of a compensation adjustment based on years of service that resulted in an overall increase in salary and related benefit expense, and expenditures for the upgrade of 911 (communications) equipment and services, and increased costs due to the number of inmates in our detention center. Certain expenditures for the 911 upgrade are qualified for reimbursement from funds in other government funds and recorded as a transfer in to offset the funds expended by the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the County had \$78,311,493 invested in capital assets including police and fire equipment, buildings, infrastructure, etc. (See following table). Capital assets for government activities increased by of \$458,959 or 0.6 percent, over last year.

| | Governmental Activities | | Total Percent Change |
|--------------------------|-------------------------|---------------|----------------------|
| | 2018 | 2017 | 2017-2018 |
| Land | \$ 1,688,895 | \$ 1,688,895 | 0.0% |
| Construction in Progress | - | 497,845 | 0.0% |
| Buildings | 26,920,737 | 26,893,076 | 0.1% |
| Other Improvements | 628,928 | 625,303 | 0.6% |
| Equipment | 17,161,655 | 16,307,575 | 5.2% |
| Infrastructure | 30,734,984 | 30,734,984 | 0.0% |
| Books | 1,176,294 | 1,103,732 | 6.6% |
| Total Capital Assets | \$ 78,311,493 | \$ 77,851,410 | 0.6% |
| Accumulated Depreciation | (37,921,935) | (34,730,800) | 9.2% |
| Total Net Assets | \$ 40,389,558 | \$ 43,120,610 | -6.3% |

Additional information on the County's capital assets can be found in Note 3(C) to the financial statements.

Long-term Debt

At year-end, the County had \$4,900,000 in outstanding general obligation bonds and capital leases, compared to \$5,550,000 last year. That is a decrease of 11.7 percent as shown in the following table.

| | Governmental Activities | | Total Percent Change |
|--------------------------|-------------------------|--------------|----------------------|
| | 2018 | 2017 | 2017-2018 |
| General Obligation Bonds | \$ 4,900,000 | \$ 5,550,000 | -11.7% |
| | \$ 4,900,000 | \$ 5,550,000 | -11.7% |

More detailed information about the County's long-term liabilities is presented in Note 3(F) to the financial statements. Also, included in Note 3(F) is information related to the \$2.4 million long-term loan payable of the affiliated Economic Development Corporation.

Other obligations of the County include accrued compensated absences, other post-employment benefits and landfill closure and post closure costs.

The state limit for amount of general obligation debt the County can issue is 8 percent of the assessed value of all taxable property within the County's legal limits. Outstanding debt is below this limit – which is currently \$14.35 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the County's revenues. Positive economic growth is correlated with increased revenues from property taxes, sales taxes, charges for services, as well as state and federal grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction and assessed valuation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – continued

One major factor is that, although it has declined, the unemployment rate for the County is currently 4.0 %. This was higher than the unemployment rate for the state of South Carolina (3.8%) and higher than the national unemployment rate (3.9%).

All of these factors were considered in the approval of the County's millage rate total property millage rate of 91.6 mills in 2017 and 92.20 mills in 2018. There was a 5 mill tax increase in the 2019 approved budget, that was necessary due to the County taking over contracted Emergency Medical Services from the local hospital.

Budgeted 2019 operations expenditures are expected to increase by \$1,946,608, which is 7.9 percent over the final 2018 budget. This increase is primarily due to the County having to take over contracted Emergency Medical Services, plus continued compensation increases based on years of service, additional positions, increased health care premiums, and retirement cost increases for County employees.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator at 110 Railroad Avenue, Gaffney, South Carolina.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHEROKEE COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 33,035,296 |
| Investments | 7,698,409 |
| Accounts receivable (net) | 1,886,622 |
| Taxes receivable (net) | 1,341,820 |
| Due from State | 515,170 |
| Assets held for sale | 2,700,595 |
| Prepaid items | 327,199 |
| Due from Recreation District | 315,616 |
| Capital assets - not being depreciated | 1,688,896 |
| Capital assets - net of accumulated depreciation | 38,700,662 |
| Total assets | <u>88,210,285</u> |
| Deferred Outflows of Resources | |
| Deferred amounts related to pensions | <u>4,420,251</u> |
| Liabilities | |
| Accounts payable | 1,178,997 |
| Accrued liabilities | 439,233 |
| Local option sales tax - property tax relief | 3,679,951 |
| Unearned revenue | 202,113 |
| Accrued interest payable | 27,766 |
| Noncurrent liabilities | |
| Due within one year | 1,469,330 |
| Due in more than one year | 16,886,924 |
| Net pension liability | 20,286,846 |
| Total liabilities | <u>44,171,160</u> |
| Deferred Inflows of Resources | |
| Deferred amounts related to pensions | <u>126,980</u> |
| Net Position | |
| Net investment in capital assets | 35,489,558 |
| Restricted for | |
| Transportation | 583,086 |
| Public safety | 3,808,406 |
| Economic development | 2,664,346 |
| Health and human services | 316,198 |
| Debt service | 1,715,750 |
| Cultural and recreation | |
| Expendable | 38,317 |
| Nonexpendable | 1,252 |
| Unrestricted (deficit) | 3,715,483 |
| Total net position (deficit) | <u>\$ 48,332,396</u> |

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and |
|--|-------------------|------------------|------------------|---------------|---------------------------|
| | | Charges for | Operating | Capital | Changes in Net Position |
| | | Services | Grants and | Grants and | Primary Government |
| | | | Contributions | Contributions | Governmental |
| | | | | | Activities |
| Primary Government | | | | | |
| Governmental activities | | | | | |
| General government | \$ 10,080,250 | \$ 1,492,672 | \$ 866,410 | \$ - | \$ (7,721,168) |
| Public safety | 14,073,648 | 649,346 | 1,336,491 | 64,712 | (12,023,099) |
| Transportation | 3,364,755 | - | 1,512,220 | - | (1,852,535) |
| Health and human services | 858,253 | 5,371 | 319,435 | - | (533,447) |
| Environmental and housing | 3,734,591 | 458,439 | 199,119 | - | (3,077,033) |
| Culture and recreation | 944,085 | 32,563 | 365,990 | 6,403 | (539,129) |
| Economic development | 8,206 | - | - | - | (8,206) |
| Unallocated interest expense | 184,375 | - | - | - | (184,375) |
| Total primary government | <u>33,248,163</u> | <u>2,638,391</u> | <u>4,599,665</u> | <u>71,115</u> | <u>(25,938,992)</u> |
| General Revenues | | | | | |
| Property taxes | | | | | 20,472,162 |
| Accommodations tax | | | | | 115,130 |
| Local accommodations tax | | | | | 94,309 |
| Franchise tax | | | | | 257,745 |
| Unrestricted state aid to political subdivisions | | | | | 2,114,766 |
| Unrestricted investment earnings | | | | | 165,759 |
| Gain on sale of capital assets | | | | | 4,007 |
| Miscellaneous | | | | | 551,042 |
| Transfers | | | | | - |
| Total general revenues and transfers | | | | | <u>23,774,920</u> |
| Change in net position | | | | | (2,164,072) |
| Net position - Beginning of Year - Restated | | | | | <u>50,496,468</u> |
| Net position - End of Year | | | | | <u>\$ 48,332,396</u> |

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CHEROKEE COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Capital Projects Fund | Economic Development Corporation | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash | \$ 26,287,913 | \$ 3,168,374 | \$ 72,411 | \$ 11,204,992 | \$ 40,733,690 |
| Taxes receivable (net) | 1,195,741 | 39,601 | - | 122,886 | 1,358,228 |
| Other receivables (net) | 1,268,227 | - | - | 601,785 | 1,870,012 |
| Due from other funds | 6,569,804 | - | - | 1,560,472 | 8,130,276 |
| Due from State | 515,170 | - | - | - | 515,170 |
| Prepaid items | 290,299 | - | 200 | 36,899 | 327,398 |
| Due from Recreation District | - | 315,616 | - | - | 315,616 |
| Assets held for resale | - | - | 2,700,595 | - | 2,700,595 |
| Total assets | <u>\$ 36,127,154</u> | <u>\$ 3,523,591</u> | <u>\$ 2,773,206</u> | <u>\$ 13,527,034</u> | <u>\$ 55,950,985</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 888,243 | \$ - | \$ - | \$ 10,405 | \$ 898,648 |
| Due to other funds | 878,971 | 2,529,629 | 108,660 | 4,613,016 | 8,130,276 |
| Accrued expenditures | 411,843 | - | - | 27,987 | 439,830 |
| Other liabilities | 279,749 | - | - | - | 279,749 |
| Local option sales tax - property tax relief | 3,679,951 | - | - | - | 3,679,951 |
| Unearned revenue | - | - | - | 206,146 | 206,146 |
| Total liabilities | <u>6,138,757</u> | <u>2,529,629</u> | <u>108,660</u> | <u>4,857,554</u> | <u>13,634,600</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues - property taxes | <u>359,658</u> | <u>32,985</u> | <u>-</u> | <u>112,799</u> | <u>505,442</u> |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepays | 290,299 | - | 200 | 36,899 | 327,398 |
| Restricted for: | | | | | |
| Emergency communications | - | - | - | 2,247,883 | 2,247,883 |
| Law enforcement | - | - | - | 163,007 | 163,007 |
| Health and welfare | - | - | - | 64,428 | 64,428 |
| Road surface repairs | - | - | - | 583,086 | 583,086 |
| Culture and recreation | - | - | - | 38,317 | 38,317 |
| Social services | - | - | - | 251,770 | 251,770 |
| Public safety | - | - | - | 122,545 | 122,545 |
| Economic development | - | - | 2,664,346 | - | 2,664,346 |
| Solicitor | - | - | - | 729,449 | 729,449 |
| Other purposes | - | - | - | 545,522 | 545,522 |
| Debt service | - | - | - | 1,715,750 | 1,715,750 |
| Assigned | | | | | |
| Unfunded OPEB | 2,669,536 | - | - | - | 2,669,536 |
| Road surface repairs | 1,422,446 | - | - | - | 1,422,446 |
| County buildings | - | 315,616 | - | - | 315,616 |
| Airport | - | 255,102 | - | - | 255,102 |
| Capital projects | - | 390,259 | - | - | 390,259 |
| Administration | 20,250 | - | - | 140,478 | 160,728 |
| Emergency communications | - | - | - | 362 | 362 |
| C&D landfill | 25,000 | - | - | - | 25,000 |
| Matching Grant | 400,000 | - | - | - | 400,000 |
| Scholarship SCC | 55,129 | - | - | - | 55,129 |
| Public safety | - | - | - | 479,483 | 479,483 |
| Economic development | 300,000 | - | - | - | 300,000 |
| Library | - | - | - | 1,394,000 | 1,394,000 |
| Unassigned | 24,446,079 | - | - | 43,702 | 24,489,781 |
| Total fund balance | <u>29,628,739</u> | <u>960,977</u> | <u>2,664,546</u> | <u>8,556,681</u> | <u>41,810,943</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 36,127,154</u> | <u>\$ 3,523,591</u> | <u>\$ 2,773,206</u> | <u>\$ 13,527,034</u> | <u>\$ 55,950,985</u> |

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
 RECONCILIATION OF THE TOTAL GOVERNMENTAL FUNDS BALANCE SHEET TO
 THE STATEMENT OF NET POSITION
 JUNE 30, 2018

| | | | |
|---|-------------|--------------|----------------------|
| Fund Balances - Total Governmental Funds | | | \$ 41,810,943 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | | 40,389,558 |
| Resources received but reflected as unearned revenues in fund statements. | | | 509,490 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds. | | | |
| Other post employment benefits | (3,286,800) | | |
| General obligation bonds | (4,900,000) | | |
| Loan payable | (2,400,000) | | |
| Compensated absences | (364,229) | | |
| Accrual for landfill closure | (7,405,225) | | |
| Accrued interest payable | (27,766) | (18,384,020) | |
| Pension related deferred outflows | | 4,420,251 | |
| Net Pension Liability | | (20,286,846) | |
| Pension related deferred inflows | | (126,980) | |
| Net Position of Governmental Activities | | | <u>\$ 48,332,396</u> |

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | General | Capital Projects Fund | Economic Development Corporation | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 14,834,892 | \$ 1,147,505 | \$ - | \$ 3,527,140 | \$ 19,509,537 |
| Licenses and permits | 294,095 | - | - | - | 294,095 |
| Intergovernmental | 3,367,866 | - | - | 4,478,880 | 7,846,746 |
| Charges for services | 961,709 | - | - | 31,858 | 993,567 |
| Fines | 649,501 | - | - | - | 649,501 |
| Contributions | - | - | - | - | - |
| Interest | 152,299 | 13,449 | 739 | 26 | 166,513 |
| Miscellaneous | 1,035,953 | - | - | 698,127 | 1,734,080 |
| | <u>21,296,315</u> | <u>1,160,954</u> | <u>739</u> | <u>8,736,031</u> | <u>31,194,039</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 7,551,689 | - | - | 823,032 | 8,374,721 |
| Public safety | 11,359,743 | - | - | 2,195,074 | 13,554,817 |
| Transportation | 638,252 | - | - | 1,470,497 | 2,108,749 |
| Health and human services | 856,232 | - | - | 123,008 | 979,240 |
| Environmental and housing | 3,002,514 | - | - | 329,853 | 3,332,367 |
| Culture and recreation | 1,622 | - | - | 861,814 | 863,436 |
| Economic development | - | - | 1,608,152 | - | 1,608,152 |
| Capital outlay | - | 22,827 | - | 230,731 | 253,558 |
| Debt service | | | | | |
| Principal retirement | - | - | - | 650,000 | 650,000 |
| Interest and fiscal charges | - | - | - | 188,700 | 188,700 |
| | <u>23,410,052</u> | <u>22,827</u> | <u>1,608,152</u> | <u>6,872,709</u> | <u>31,913,740</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(2,113,737)</u> | <u>1,138,127</u> | <u>(1,607,413)</u> | <u>1,863,322</u> | <u>(719,701)</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | 28,715 | - | - | - | 28,715 |
| Transfers in | 7,763,614 | - | - | 853,500 | 8,617,114 |
| Transfers out | (6,077,363) | (920,467) | - | (1,619,285) | (8,617,115) |
| | <u>1,714,966</u> | <u>(920,467)</u> | <u>-</u> | <u>(765,785)</u> | <u>28,714</u> |
| Net Change in Fund Balances | (398,771) | 217,660 | (1,607,413) | 1,097,537 | (690,987) |
| Fund Balances - Beginning of Year | <u>30,027,510</u> | <u>743,317</u> | <u>4,271,959</u> | <u>7,459,144</u> | <u>42,501,930</u> |
| Fund Balances - End of Year | <u>\$ 29,628,739</u> | <u>\$ 960,977</u> | <u>\$ 2,664,546</u> | <u>\$ 8,556,681</u> | <u>\$ 41,810,943</u> |

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ (690,987)

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

| | | |
|----------------------|--------------------|-------------|
| Capital outlay | 898,219 | |
| Depreciation expense | <u>(3,591,590)</u> | (2,693,371) |

In the statement of activities, only the gain on the sale of assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the assets sold or contributed:

| | | |
|--------------------------------------|--|----------|
| Net book value of asset dispositions | | (20,378) |
|--------------------------------------|--|----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|----------------|--|--------|
| Property taxes | | 47,218 |
|----------------|--|--------|

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|--------------------------|--|-----------|
| Principal repayments: | | |
| General obligation bonds | | 650,000 |
| CCEDC Loan | | 1,600,000 |

Some expenses recorded in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|---|---------------|--------|
| Change in accrued interest payable | 4,325 | |
| Change in compensated absences | 43,712 | |
| Change in unfunded OPEB costs | (88,000) | |
| Change in landfill closure/post closure costs | <u>58,155</u> | 18,192 |

The cost of pension benefits earned net of employee contributions is reported in the Statement of Activities as an element of pension expense. The fund financial statements report pension contributions as expenditures.

(1,074,746)

| | | |
|---|--|-----------------------|
| Change in Net Position of Governmental Activities | | <u>\$ (2,164,072)</u> |
|---|--|-----------------------|

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2018

Assets

| | |
|------------------------|----------------------|
| Cash | \$ 40,055,414 |
| Other receivables | 83,496 |
| Due to other funds | 277,954 |
| Taxes receivable (net) | <u>1,499,781</u> |
| Total Assets | <u>\$ 41,916,645</u> |

Liabilities

| | |
|------------------------------|----------------------|
| Due to designated recipients | <u>\$ 41,916,645</u> |
| Total Liabilities | <u>\$ 41,916,645</u> |

The accompanying notes are an integral part of the financial statements.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

INDEX

| | <u>Page</u> |
|---|-------------|
| 1 – Summary of Significant Accounting Policies | |
| A. Reporting Entity | 22 |
| B. Basis of Presentation | 23-24 |
| C. Measurement Focus and Basis of Accounting | 24-27 |
| D. Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position Or Equity | 27-31 |
| 2 – Stewardship, Compliance and Accountability | |
| A. Budgets and Budgetary Accounting | 32 |
| B. Encumbrances | 32 |
| C. Excess of Expenditures Over Appropriations | 32-33 |
| 3 – Detailed Notes On Government-wide and Fund Financial Statements | |
| A. Cash Deposits and Investments | 33-34 |
| B. Taxes Receivable | 34-35 |
| C. Capital Assets | 36 |
| D. Interfund Receivables, Payables and Transfers | 37 |
| E. Operating Lease Commitments | 38 |
| F. Long-term Debt | 38-39 |
| G. Landfill Closure and Post Closure Care Costs | 40 |
| 4 – Other Information | |
| A. Risk Management | 40 |
| B. Commitments and Contingencies | 41 |
| C. Deferred Compensation Plans | 42 |
| D. Pension Plans | 42-50 |
| E. Post Employment Health Insurance Benefits | 50-52 |
| 5 – Tax Abatements | 52-53 |
| 6 – Subsequent Events | 53 |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cherokee County, South Carolina (the County) operates under Home Rule legislation effective July 1, 1976. The County operates under a Council-Administrator form of government and provides the following services as authorized by its charter: Public safety (police and fire), highway and street maintenance, sanitation, health and social services, culture-recreation, public improvements, and general administration services.

Cherokee County is a corporate government entity incorporated under the South Carolina Home Rule Act and is governed by an elected seven member County Council. These financial statements present the government as required by accounting principles generally accepted in the United States of America. As required by U.S. generally accepted accounting principles, these basic financial statements present the government and its component units, entities for which the government is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the County's operations, and data from the units are presented in the capital projects funds and economic development corporation entity within the County's governmental activities. The County has no discretely presented component units. The following entity is presented as a blended component unit:

Cherokee County Economic Development Corporation – The Corporation is a non-profit corporation established under State law, of which the County is the sole corporate member as identified in the corporation's bylaws. The Corporation is organized to develop and implement, for the specific benefit of the County, economic development strategies for commercial, industrial, residential and other development.

The County's comprehensive annual financial report includes the accounts of all County operations. The financial statements of Cherokee County, South Carolina, have been prepared in conformity with U.S. generally accepted accounting principles (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. The more significant of the government's accounting policies are described below.

B. Basis of Presentation

The County's 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. The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

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 primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Government-wide Financial Statements: - Continued

The statement of net position presents the financial condition of the governmental activities for the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program and function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and the interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, and all taxes, are presented as general revenues of the County, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

The County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The County reports the following governmental fund types:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Funds - The debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - The capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Fund Financial Statements: - Continued

The County has the following major capital projects funds:

1. Capital Projects Fund – is used to account for funds to be used for the acquisition or construction of capital facilities and other capital assets.
2. Economic Development Corporation Fund – is used to account for the acquisition and construction of facilities or infrastructure for the promotion of economic development within the County.

Additionally, the County reports the following fund type:

Fiduciary Fund - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The agency fund is custodial in nature (assets equals liabilities) and does not involve measurement of results of operations. The County's fiduciary fund category includes agency funds for education, clerk of court, family court, property taxes, magistrates, and others.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources management focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with the operation of the County are included on the statement of net position.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting – Continued

Government-wide Financial Statements – continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

All governmental funds are accounted for using a flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest are susceptible to accrual. Taxes collected and held by the state at year end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 the 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 statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Fund Financial Statements - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds have no measurement focus, but rather are custodial in nature (assets equal liabilities).

Revenue - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes, sales tax, grants, interest, fees and charges for services.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year-end.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Unearned Revenue

The County reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, resources received that are "intended to finance" a future period are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Cash and Investments

The County pools the cash of substantially all special revenue funds into an internal cash pool that is available for use by all special revenue funds. Each individual fund's portion of the pool is displayed on the combined balance sheet as cash.

The Cherokee County Public Library and the Cherokee County Development Board maintain separate cash and investment accounts, generally in the form of cash in the bank and certificates of deposit.

Investments with a readily determined fair value are stated at fair value which approximates cost. State statutes authorize the County to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its political subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposits collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool

Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

Intergovernmental Receivable

Amounts due from federal grants represent reimbursable costs, which have been incurred by the County but have not been reimbursed by the grantor agency. Costs under grant programs are recognized as expenditures in the period in which they are incurred by the County.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid items in the Governmental Fund Types are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

The costs 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 by governmental.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40 - 45 |
| Improvements other than buildings | 5 - 10 |
| Machinery and equipment | 3 - 15 |
| Infrastructure | 20 - 40 |
| Books | 5 - 10 |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County's only deferred outflows of resources are related to pensions.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has two types of items that qualify for reporting in this category. The net property taxes receivable estimated to be collectible in more than 60 days subsequent to June 30, 2018 and deferred amounts related to pensions are reported as deferred inflows of resources.

Compensated Absences

The County's annual leave policy allows accumulation, with supervisor approval, of a maximum of four weeks vacation to be paid to employees upon termination. Sick leave can be accumulated, up to a maximum of sixty days, but it is not paid upon termination. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is recorded when accrued by the employee in the government-wide financial statements. The general fund is typically used to liquidate the liability for compensated absences.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

Net Position and Fund Balances – continued

The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The County has classified assets held for resale, inventories, prepaid items, and long-term portions of receivables and advances as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next current fiscal year.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources through either a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can only be used for specific purposes pursuant to constraints determined by a formal action of the government's highest level of decision making authority. County Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Council or by an official or body to which the County Council delegates authority. County Council has delegated this authority to the Assistant County Administrator. This classification captures fund balance held to meet anticipated expenditures of budget carryforwards, except where other external constraints or Council ordinances require that the fund balance be classified as restricted or committed.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The County would typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of those other classified funds.

Proprietary fund equity is classified the same as in the government-wide statements.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

Net Position

The County's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources represent net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Accounting Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenditures. Actual results could differ from these estimates.

Reclassifications

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

Interfund Transactions

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements.

New Pronouncements – The GASB has issued the following statements:

- *Statement No. 75*, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The requirements of this Statement are effective for financial statements for the current fiscal year.
- *Statement No. 83*, "Certain Asset Retirement Obligations." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.
- *Statement No. 84*, "Fiduciary Activities." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- *Statement No. 87*, "Leases." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- *Statement No. 88*, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on the modified accrual basis.

The County Council follows these procedures in establishing the budget data reflected in the financial statements:

Prior to June 1, the Administrator submits to the County Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes expenditures and the means of financing them for the upcoming year.

Public hearings are conducted at the County Administration Building to obtain taxpayer comment.

Prior to June 30, the budget is legally enacted through passage of an ordinance.

The County Administrator is authorized to transfer budget amounts within departments in the general fund. The County Administrator may transfer funds between departments with the approval of County Council. The legal level of control is the department level.

Formal budgetary integration is employed as a management control device during the year.

The County Council may authorize supplemental appropriations during the year.

B. Encumbrances

Under encumbrance accounting, outstanding purchase orders, if any, are recorded in order to reserve that portion of the applicable appropriation in the governmental fund types. Encumbrances outstanding at year end are carried forward and are reported as committed fund balance.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the following departments:

| | |
|---------------------------|----------|
| General Government | |
| Administration | \$ 3,257 |
| Information Technology | 8,243 |
| Central Purchasing | 62,042 |
| Delinquent Tax Collector | 6,775 |
| Addressing | 224 |
| Poll Workers | 37,261 |
| Magistrate - Gaffney | 16,158 |
| Clerk of Court | 2,945 |
| Public Safety | |
| Code Enforcement | 967 |
| Communications | 822,588 |
| Animal Shelter | 3,480 |
| Coroner | 58,306 |
| Detention Center | 207,943 |
| Emergency Preparedness | 15,135 |
| Environmental and Housing | |
| Solid Waste Disposal | 1,235 |
| C and D Landfill | 95,373 |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

C. Excess of Expenditures Over Appropriations - Continued

| | |
|----------------------------------|-------|
| Health and Human Services | |
| County Health and Human Services | 413 |
| Social Services | 3,755 |
| Culture and Recreation | |
| Library | 44 |
| Recreation District | 274 |

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Cash Deposits and Investments

Deposits

Statutes authorize the County to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool. The County has not adopted a formal deposit or investment policy. The State Treasurer's Investment Pool is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC), but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. All of the County's deposits at June 30, 2018 were covered by federal depository insurance or by collateral held in the pledging financial institution's trust department in the County's name.

Investments

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

A. Cash Deposits and Investments - Continued

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Money market mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

South Carolina Local Government Investment Pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investment and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

Interest rate risk – The County does not have an investment policy for interest rate risk.

At June 30, 2018, the County had the following investments:

| <u>Investment Type</u> | <u>Value</u> | <u>Maturity</u> | <u>Rating</u> | <u>Fair Value Hierarchy</u> |
|----------------------------------|--------------|-----------------|---------------|---------------------------------|
| Local Government Investment Pool | \$ 7,698,409 | Daily | N/A | N/A |

B. Taxes Receivable

Property Tax Receivable

The County property tax is levied each fall (except automobiles which are annually assessed on the first day of the month the automobiles are registered) on the assessed valuations of property located in the County as of the preceding January 1. The books are open for collection September 30 with the first penalty, three percent, applicable to payments made after January 15, the due date. An additional seven percent penalty is added to payments made after February 1, and an additional 5 percent penalty plus costs is added after March 16. Property taxes attach as an enforceable lien, and are considered delinquent if not paid by March 16.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

B. Taxes Receivable - Continued

Property taxes on vehicles are billed by the 15th day of the month preceding the expiration date of South Carolina vehicle licenses, and are due by the last day of that month.

Assessed values for real estate are established annually by the County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. Real property in the County for the 2018 levy was assessed at \$110,779,220, representing 5% of estimated market value. Assessed values for personal property are established by the County Auditor and the South Carolina Department of Revenue at 10.5% of the estimated market value. The 2018 assessed value for personal property was \$68,615,159. The County tax rate is currently 70.9 mills. The following is a schedule of current and net delinquent taxes receivable by fund:

| | Gross Delinquent Taxes Receivable | Allowance for Uncollectibles | Net Delinquent Taxes Receivable | Current Taxes Receivable | Taxes Receivable (Net) |
|----------------------|--------------------------------------|---------------------------------|------------------------------------|-----------------------------|---------------------------|
| Governmental Funds | | | | | |
| General fund | \$ 507,993 | \$ 148,334 | \$ 359,659 | \$ 836,084 | \$ 1,195,743 |
| Capital fund | 46,588 | 13,604 | 32,984 | 6,616 | 39,600 |
| Debt service fund | 45,908 | 13,405 | 32,503 | 6,032 | 38,535 |
| Library fund | 24,729 | 11,220 | 13,509 | 16,457 | 29,966 |
| Fire districts funds | 68,540 | 20,014 | 48,526 | 5,857 | 54,383 |
| | <u>693,758</u> | <u>206,577</u> | <u>487,181</u> | <u>871,046</u> | <u>1,358,227</u> |
| Agency Funds | <u>1,787,957</u> | <u>522,082</u> | <u>1,265,875</u> | <u>233,907</u> | <u>1,499,782</u> |
| | <u>\$ 2,481,715</u> | <u>\$ 728,659</u> | <u>\$ 1,753,056</u> | <u>\$ 1,104,953</u> | <u>\$ 2,858,009</u> |

Local Option Sales Tax - Property Tax Relief

In 2008, the Cherokee County voters approved a referendum to impose a one percent local option sales tax. This tax was imposed beginning May 2009. Of the revenues collected from this tax, 29% is available to the County to fund capital projects and 71% is being used as a credit against ad valorem taxes and vehicle taxes. This credit first appeared on ad valorem tax notices mailed in October 2009 and on vehicle tax notices beginning with those notices for January 2010.

The County has established a Local Option Sales Tax – Property Tax Relief account to account for the liability of local option sales tax collections in excess of local option sales tax credits applied on property tax notices. As of June 30, 2018 the balance in this account, included in the general fund, was \$3,679,951.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

C. Capital Assets

Primary government capital asset activity for the year ended June 30, 2018 was as follows:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|--------------------------|-----------------------|-------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 1,688,895 | \$ - | \$ - | \$ 1,688,895 |
| Construction in progress | 497,845 | - | 497,845 | - |
| | <u>2,186,740</u> | <u>-</u> | <u>497,845</u> | <u>1,688,895</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 26,893,076 | 27,662 | - | 26,920,738 |
| Improvements other than buildings | 625,303 | 3,625 | - | 628,928 |
| Machinery and equipment | 16,307,574 | 1,292,215 | 439,259 | 17,160,530 |
| Infrastructure | 30,736,106 | - | - | 30,736,106 |
| Books | 1,103,732 | 72,562 | - | 1,176,294 |
| | <u>75,664,670</u> | <u>1,396,064</u> | <u>439,259</u> | <u>76,622,595</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 10,042,773 | 582,973 | - | 10,625,746 |
| Improvements other than buildings | 361,381 | 36,954 | - | 398,335 |
| Machinery and equipment | 11,288,364 | 1,802,504 | 404,027 | 12,686,841 |
| Infrastructure | 12,145,883 | 1,113,530 | - | 13,259,413 |
| Books | 892,399 | 59,201 | - | 951,600 |
| | <u>34,730,800</u> | <u>3,595,162</u> | <u>404,027</u> | <u>37,921,935</u> |
| Total Capital Assets Being Depreciated, Net | <u>40,933,870</u> | <u>(2,199,098)</u> | <u>35,232</u> | <u>38,700,661</u> |
| Total Capital Assets, Net | <u>\$ 43,120,610</u> | <u>\$ (2,199,098)</u> | <u>\$ 533,077</u> | <u>\$ 40,389,556</u> |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|--------------------------------|---------------------|
| Governmental Activities | |
| General government | \$ 736,823 |
| Public safety | 958,651 |
| Health and human services | 25,023 |
| Environmental and housing | 469,368 |
| Transportation | 1,263,455 |
| Culture and recreation | 141,841 |
| Total | <u>\$ 3,595,161</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

D. Interfund Receivables, Payables and Transfers

During the course of its operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers.

Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies, advances or equity contributions is determined by County management. To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts receivable or payable have been recorded.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a summary of interfund receivables and payables at June 30, 2018:

| | <u>Receivable</u> | <u>Payable</u> |
|----------------------------------|---------------------|---------------------|
| Interfund: | | |
| General Fund | \$ 6,569,804 | \$ 878,971 |
| Capital Projects Fund | - | 2,529,628 |
| Nonmajor Special Revenue Funds | 681,501 | 4,613,016 |
| Economic Development Corporation | - | 108,661 |
| Debt Service Fund | 878,971 | - |
| | <u>\$ 8,130,276</u> | <u>\$ 8,130,276</u> |

The following is a summary of interfund transfers for the year ended June 30, 2018:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------|---------------------|----------------------|
| Major Governmental Funds: | | |
| General Fund | \$ 7,763,614 | \$ 6,077,363 |
| Capital Projects Fund | - | 920,466 |
| Non-Major Special Revenue Funds | 853,500 | 1,619,285 |
| | <u>\$ 8,617,114</u> | <u>\$ 8,617,114</u> |

During the year, transfers were used to 1) move funds from the Capital Projects Fund to the General Fund as approved in the 2018-2019 Budget, 2) for routine transfers of funds to and from other funds, such as covering of certain expenditures from special revenue grants.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

E. Operating Lease Commitments

The County has operating leases for computer, copier and fax equipment as well as land and office spaces that are not cancelable. Commitments for rental expenses under these leases, expiring between 2019 and 2021 are as follows:

| Year Ending June 30, | |
|----------------------|-------------------|
| 2019 | 317,456 |
| 2020 | 292,000 |
| 2021 | <u>121,667</u> |
| | <u>\$ 731,123</u> |

Total lease expense, including lease payments based on usage, for the year ended June 30, 2018 was \$316,314.

F. Long-term Debt

The following is a summary of debt transactions for the County for the year ended June 30, 2018:

| | Balance June 30, 2017 | Additions | Reductions | Balance June 30, 2018 | Due Within One Year |
|--|--------------------------|-------------------|---------------------|--------------------------|------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds | \$ 5,550,000 | \$ - | \$ 650,000 | \$ 4,900,000 | \$ 670,000 |
| Loan Payable | 4,000,000 | - | 1,600,000 | 2,400,000 | - |
| Landfill Closure and Post Closure Liability | 7,463,380 | 69,000 | 127,155 | 7,405,225 | 721,850 |
| Net OPEB Obligation | 3,198,800 | 200,000 | 112,000 | 3,286,800 | - |
| Compensated Absences | 407,941 | 376,877 | 420,589 | 364,229 | 77,480 |
| | <u>\$ 20,620,121</u> | <u>\$ 645,877</u> | <u>\$ 2,909,744</u> | <u>\$ 18,356,254</u> | <u>\$ 1,469,330</u> |

General Obligation Bonds

The County issued general obligation bond series 2011 through SunTrust Bank for the construction of an administration building. Annual installments of \$670,000 to \$795,000 plus interest at 3.40% are to be paid through May of 2025.

Future principal and interest payments of the General Obligation Bonds are as follows:

| | General Obligation Bonds | | |
|-------------|--------------------------|-------------------|---------------------|
| Fiscal Year | Principal | Interest | Total |
| 2019 | 670,000 | 166,600 | 836,600 |
| 2020 | 695,000 | 143,820 | 838,820 |
| 2021 | 720,000 | 120,190 | 840,190 |
| 2022 | 745,000 | 95,710 | 840,710 |
| 2023-2025 | 2,070,000 | 131,750 | 2,201,750 |
| | <u>\$ 4,900,000</u> | <u>\$ 658,070</u> | <u>\$ 5,558,070</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

F. Long-term Debt - continued

Loan Payable

During the year ended June 30, 2015, The Cherokee County Economic Development Corporation entered into a loan agreement with the South Carolina Public Service Authority to finance the purchase of land and designing and constructing an industrial speculative building in the Spartanburg-Cherokee Industrial Park. The loan is collateralized by real estate. The CCEDC made a \$1,600,000 payment in June 2018 and the loan was re-amortized for the remaining 7 year period, which concludes on June 16, 2025. Annual principal payments based on the re-amortization are \$343,000 and are set to begin in 2019. At or upon June 17, 2018, the interest rate is to be determined (TBD) based on the following:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|--------------|
| 2019 | 343,000 | TBD | (1) |
| 2020 | 343,000 | TBD | (1) |
| 2021 | 343,000 | TBD | (2) |
| 2022-2025 | <u>1,371,000</u> | TBD | (2) |
| | <u>\$ 2,400,000</u> | | |

(1) At or upon the fourth (4th) and (5th) anniversary of this Agreement, the interest rate for any Outstanding Principal Balance shall be one-half (1/2) of the 10-year Insured Municipal Market Data (MMD) Index.

(2) At or upon the sixth (6) anniversary, and on each subsequent anniversary, the interest rate for any Outstanding Principal Balance shall be the 10-year United States Treasury Rate.

Conduit Debt Obligations

Industrial Revenue Bonds are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Such bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither Cherokee County, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. No Industrial Revenue Bonds were issued by the County in fiscal years 2003 through 2018.

The aggregate principal amount payable or the aggregate original issued amount for issues prior to July 1, 2002 could not be determined.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- Continued

G. Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when the sites stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closing.

The County has recorded a liability in the government-wide statement of net position for the total estimated closure and post-closure care costs for the portion of the landfills filled at June 30, 2018, calculated as follows:

| | MSW | C&D Cells A, B & C | Total |
|---|---------------------|-----------------------|---------------------|
| Total estimated current closure and post closure care cost | \$ 4,930,225 | \$ 2,475,000 | |
| Percentage of landfill capacity used to date | 100% | 100% | |
| Reported liability for closure and post closure care cost | <u>\$ 4,930,225</u> | <u>\$ 2,475,000</u> | <u>\$ 7,405,225</u> |
| Total estimated current closure and post closure care cost remaining to be recognized | <u>\$ -</u> | <u>\$ -</u> | |
| Landfill's approximate remaining life in years | <u>-</u> | <u>-</u> | |

The estimated total current cost of the landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2018. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through the State Budget and Control Board Office of Insurance Reserve Fund. The County pays premiums to the Fund for its general insurance coverage. The agreement for formation of the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial companies for each insured event. Additionally, the County participates in a self-funded program to provide workers' compensation insurance through the South Carolina Association of Counties, which works in a similar way as the Insurance Reserve Fund.

The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

B. Commitments and Contingencies

Grant Programs

The County participates in a number of federal and state assisted grant programs. These programs are subject to audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2018, have not yet been conducted. Therefore, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Library Services and Construction Act, Title II

The County received monies in the year 2000 from a federal grant to assist for payment of the construction costs for a new addition to the main library. These funds were received under the Library Services and Construction Act, Title II (LSCAII). The total amount of the award was \$200,000. Per Section 770.42 of (CAFR 34) of the Federal Register, if within 20 years of the receipt of this grant the County ceases to use the facility as a library, or the Library itself were to cease to be a public library, the amount the County may be obligated to repay is the amount that equals the funds received from the United States Government, or the fair market value of the facility allocated proportionally between the United States Government funds received and the local funds received.

Litigation

The County is party to a number of lawsuits arising in the course of operations. It is the opinion of management, in consultation with legal counsel, that it cannot be determined whether resolution of the other pending cases will have a material adverse effect on the financial condition of the County.

C. Deferred Compensation Plans

Several optional deferred compensation plans are available to the County's employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k) and 403(b) are accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. These requirements differ among the three plans. Compensation deferred under the Section 457, 401(k) and 403(b) plans is placed in trust for the contributing employees. Neither the State nor the County has any liability for losses under the plans.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans

a. South Carolina Retirement System

Plan Description - The County, as the employer, participates in the South Carolina Retirement System (SCRS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA). PEBA issues a Comprehensive Annual Financial Report (CAFR) that is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov.

Benefits Provided - SCRS provides retirement and disability benefits, and an incidental death benefit is available to beneficiaries of active and retired members of employers who participate in the death benefit program. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws, and PEBA does not have the authority to establish or amend benefit terms without a change in the code of laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. 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.

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

a. South Carolina Retirement System - continued

Contributions - Contributions requirements of the Plan are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation. Employees and employers (both Class II and III) are required to contribute 9.00% and 13.41%, respectively, of earnable compensation for the year ended June 30, 2018. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program. Contributions to the Plan from the County were \$586,703.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the County reported a net pension liability of \$11,299,702 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, using membership data as of July 1, 2016 projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The County's proportion of the net pension liability was based on the County's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the County's proportion of the collective net pension liability is was .050195%, a decrease of .000312% since June 30, 2016, the prior measurement date.

For the year ended June 30, 2018, the County recognized pension expense of \$754,330. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 82,551 | \$ 16,840 |
| Changes in assumptions | 709,866 | - |
| Net difference between projected and actual earnings on pension plan investments | 338,511 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 611,904 | - |
| County contributions subsequent to the measurement date | 772,323 | - |
| Total | <u>\$ 2,515,155</u> | <u>\$ 16,840</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

a. South Carolina Retirement System - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –continued

The \$727,390 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|-----------------------|-----------------------|
| 2018 | (531,885) |
| 2019 | (622,126) |
| 2020 | (455,346) |
| 2021 | (82,050) |
| | <u>\$ (1,691,407)</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|---------------------------------------|
| Actuarial cost method | Entry age normal |
| Inflation | 2.25% |
| Salary increases | service and includes 2.75% inflation) |
| Benefit adjustments | less of 1% or \$500 annually |
| Investment rate of return | 7.25% (includes 2.25% inflation) |

Mortality rates were based upon the member's job category and gender (RP-2000). This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study, as required to be completed at least once in each five-year period by S.C. state statute. The experience report issued as of July 1, 2016 was performed on data through June 30, 2016.

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market outlook at the end of the third quarter 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

a. South Carolina Retirement System - continued

Actuarial Assumptions – continued

The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of January 1, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Portfolio Real Rate of Return |
|----------------------------------|-------------------|-------------------------------|
| Global Equity | 43% | 3.23% |
| Real Assets | 8% | 0.41% |
| Opportunistic | 20% | 0.69% |
| Diversified Credit | 17% | 0.80% |
| Conservative Fixed Income | 12% | 0.18% |
| Total Expected Real Return | 100% | 5.31% |
| Inflation for Actuarial Purposes | | 2.25% |
| Total Expected Nominal Return | | 7.56% |

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|--------------------------|------------------------|
| County's proportionate share of the collective net pension liability | \$ 14,563,763 | \$ 11,299,702 | \$ 9,319,183 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR of the Pension Trust Funds publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

b. South Carolina Police Officers Retirement System

Plan Description - The County, as the employer, participates in the South Carolina Police Officers Retirement System (PORS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA). PEBA issues a Comprehensive Annual Financial Report (CAFR) that is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov.

Benefits Provided - PORS provides retirement and disability benefits, accidental death benefits, and an incidental death benefit is available to beneficiaries of active and retired members of employers who participate in the death benefit program. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws, and PEBA does not have the authority to establish or amend benefit terms without a change in the code of laws. 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. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. 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.

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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 requirements of the Plan are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 5.0% of earnable compensation.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

b. South Carolina Police Officers Retirement System - continued

Contributions – continued – An increase in the contribution rates adopted by the Board may not provide for an increase of more than 1/2% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30 year amortization schedule of the unfunded liability of the plan, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30 year amortization period; and this increase is not limited to 1/2% per year. Employees and employers (both Class II and III) are required to contribute 9.75% and 15.84%, respectively, of earnable compensation for the year ended June 30, 2018. Employers also contribute an additional .20% of earnable compensation, if participating in the incidental and/or accidental death benefit program, respectively. Contributions to the Plan from the County were \$571,928.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the County reported a net pension liability of \$8,160,467 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, using membership data as of July 1, 2016 projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The County's proportion of the net pension liability was based on the County's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the County's proportion was .29787 and increase of .00504% since June 30, 2016, the prior measurement date.

For the year ended June 30, 2018, the County recognized pension expense of \$365,352. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 72,768 | \$ - |
| Changes in assumptions | 774,504 | - |
| Net difference between projected and actual earnings on pension plan investments | 290,791 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 101,951 | 110,141 |
| County contributions subsequent to the measurement date | 665,082 | - |
| Total | <u>\$ 1,905,096</u> | <u>\$ 110,141</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

b. South Carolina Police Officers Retirement System - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – continued:

The \$665,082 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|-----------------------|-----------------------|
| 2018 | (357,659) |
| 2019 | (476,396) |
| 2020 | (286,767) |
| 2021 | (9,050) |
| | <u>\$ (1,129,872)</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|---------------------------------------|
| Actuarial cost method | Entry age normal |
| Inflation | 2.25% |
| Salary increases | service and includes 2.25% inflation) |
| Benefit adjustments | less of 1% or \$500 annually |
| Investment rate of return | 7.25% (includes 2.25% inflation) |

The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, the actuaries made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The 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. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Actuarial assumptions and methods used in the July 1, 2016 valuation were based on the results of an actuarial experience study, as required to be completed at least once in each five-year period by S.C. state statute. An experience report on the System was most recently issued as of July 1, 2015.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study, as required to be completed at least once in each five-year period by S.C. state statute. The experience report issued as of July 1, 2016 was performed on data through June 30, 2016.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

D. Pension Plans - Continued

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation, and is summarized in the following table:

b. South Carolina Police Officers Retirement System - continued

Actuarial Assumptions –continued - The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of January 1, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Portfolio Real Rate of Return |
|----------------------------------|-------------------|-------------------------------|
| Global Equity | 43% | 3.23% |
| Real Assets | 8% | 0.41% |
| Opportunistic | 20% | 0.69% |
| Diversified Credit | 17% | 0.80% |
| Conservative Fixed Income | 12% | 0.18% |
| Total Expected Real Return | 100% | 5.31% |
| Inflation for Actuarial Purposes | | 2.25% |
| Total Expected Nominal Return | | 7.56% |

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|--------------------------|------------------------|
| County's proportionate share of the collective net pension liability | \$ 11,018,183 | \$ 8,160,467 | \$ 5,909,482 |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR of the Pension Trust Funds publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

E. Post Employment Health Insurance Benefits

Plan Description - Single-employer defined benefit. The County pays a portion (up to \$200 per month) of the cost of the Medicare supplemental care premium for its retirees who meet the eligibility requirements. In order to qualify, an employee must have at least ten years of employment credit with Cherokee County and the last five years must be consecutive in a full time permanent position with Cherokee County. The retirees are required to pay the remaining amount for the insurance. The plan does not issue a financial report.

Funding Policy - As of the year-end, fifty-three retirees are taking advantage of the program. The program was initiated by County Council resolution. These costs are funded on a pay-as-you-go basis. Current year expenditures recognized in the general fund amounted to \$54,863.

Total OPEB Liability – The County's net OPEB liability is reported herein as of June 30, 2018 for the employer fiscal year and reporting period of July 1, 2017 to June 30, 2018. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2017 and the corresponding measurement period of July 1, 2016 to July 1, 2017. The measurement of the total OPEB liability is based on a valuation date of July 1, 2016.

Annual Other Post - Employment Benefits (OPEB) Cost and Net OPEB Obligation - The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|-------------------------------------|--------------------|----------------------------------|--------------------|
| County's Net OPEB Liability/(Asset) | \$ 3,793,300 | \$ 3,286,800 | \$ 2,871,400 |

Sensitivity of the net OPEB liability to changes in the Trend rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the trend rate, as well as what the employer's net OPEB liability would be if it were calculated using a trend rate that is 1-percentagepoint lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|-------------------------------------|--------------------|-------------------------------|--------------------|
| County's Net OPEB Liability/(Asset) | \$ 3,195,000 | \$ 3,286,800 | \$ 3,388,900 |

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION - Continued

E. Post Employment Health Insurance Benefits

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$200,000. At June 30, 2018, the County did not report deferred inflows or outflows of resources because no contributions were made during the period prior to this date and subsequent to the measurement date of June 30, 2017.

Changes in the total OPEB Liability – The changes in the OPEB liability are as follows for the year ending June 30, 2017:

| | 2018 |
|---|---------------------|
| Service Cost | \$ 85,100 |
| Interest on the total OPEB liability | 114,900 |
| Changes of benefit terms | - |
| Difference between expected and actual experience on the total OPEB liability | - |
| Changes of assumptions | - |
| Benefit payments | (112,000) |
| Net change in total OPEB liability | 88,000 |
| Total OPEB liability - beginning | 3,198,800 |
| Total OPEB liability - ending | <u>\$ 3,286,800</u> |
| Covered employee payroll | 4,811,300 |
| Total OPEB liability as a percentage of covered-employee payroll | 68.31% |

Funding Status and Progress - As of July 1, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the total OPEB liability was \$3,286,800. The covered payroll (annual payroll of active employees covered by the plan) was \$4,811,300, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 68.30%.

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - OTHER INFORMATION – Continued

Post Employment Health Insurance Benefits

In the July 1, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.56% discount rate, projected salary increases of 2.50%, and the healthcare cost trend rate to be 6.51%, decreasing 0.33% per year to an ultimate rate of 4.00%. The total OPEB Liability is being amortized as a level percentage of projected payroll on an open basis over a 30 year period. A copy of the complete actuarial report is available at our county offices located at 110 Railroad Avenue, Gaffney, SC 29340.

NOTE 5 – TAX ABATEMENTS

The county utilizes an economic development program to attract businesses and industry to the County for the purposes of expanding and diversifying the local economy and creating jobs. This is the only program under which taxes are abated at the County. South Carolina law allows two primary mechanisms that the County may employ in order to improve its competitiveness with other jurisdictions, both in-state and out-of-state, and incentivize new or additional investment in the County. These mechanisms effectively allow the County to reduce the amount of ad valorem property taxes that will be paid on new business investments. These two mechanisms include: Fee in Lieu of Tax (FILOT) agreements and Special Source Revenue Credits (SSRC).

While these two mechanisms do not totally level the playing field, they do position the County to have its other attributes, geographic location, labor qualify, etc. to be better evaluated in a company's decision process. These two mechanisms are key in making Cherokee County competitive with our neighboring states for qualify economic development projects.

Companies that are located in South Carolina and classified as manufacturing facilities are subject to *ad valorem taxes*. The fair market value is multiplied by the assessment ratio, generally equal to 10.5%, to produce the assessed value and then multiplied by the millage rate. Cherokee County provides certain tax reductions through the following programs:

1. Fee in Lieu of Ad Valorem Tax
2. Special Source Revenue Credit

The *Fee in Lieu of Ad Valorem Tax* program is intended to encourage commercial and industrial investment in South Carolina. The property tax reduction is granted pursuant to Chapter 44 of Title 12 of the South Carolina Code of Laws of South Carolina 1976 as amended. Taxpayers are eligible to receive a reduction in property taxes, through reduced assessed values and locked millage rates, if they enter into an agreement with Cherokee County and invest at least \$2.5 million in taxable property (or some other negotiated investment floor) in Cherokee County within a 5 year period. Under the *Fee in Lieu of Ad Valorem Tax* program, if a taxpayer does not make the required investment within the 5 year period, then the reduced property taxes terminate and the taxpayer must repay Cherokee County the difference between the abated taxes received and what the taxpayer would have paid had it not had the benefit of the *Fee in Lieu of Ad Valorem Tax* program.

Cherokee County has twenty-two (23) taxpayers that have entered into an agreement with Cherokee County under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay \$3,143,369 to Cherokee County in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid an aggregate of \$2,874,883 to Cherokee County in the most recent fiscal year.

CHEROKEE COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 5 – TAX ABATEMENTS – Continued

The *Special Source Revenue Credit* program is intended to encourage investment into infrastructure serving Cherokee County or infrastructure serving a commercial or manufacturing enterprise in Cherokee County. The property tax reduction is granted pursuant to Chapter 1 of Title 4 of the South Carolina Code of Laws of South Carolina 1976, as amended. All property that is located in an MCIP, *Multi-County Industrial Park*, is exempt from property taxes, but property owners must pay an amount equivalent to the property taxes that would otherwise be due. The companies that make an agreement with the county based on this option are based on infrastructure credits or credits based on investments /money spent to improve a facility. Taxpayers are eligible to receive a percentage reduction off their total property tax liability if the taxpayer is located in a multicounty park, enters into an agreement with Cherokee County and agrees to make an investment in taxable property in Cherokee County and create jobs. If the taxpayer does not meet its investment or job commitments, the taxpayer must repay a portion of the reduction.

Cherokee County has three (3) taxpayers that have entered into an agreement with Cherokee County under the Special Source Revenue Credit program. In the aggregate, these taxpayers, without the benefits of the program would pay \$38,504 to Cherokee County in ad valorem tax in the most recent fiscal year. However, due to the benefit provided by the *Special Source Revenue Credit* program, the taxpayers pay an aggregate of \$21,859 to Cherokee County.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

Cherokee County, South Carolina
Schedule of the County's Proportionate Share of the
Collective Net Pension Liability
South Carolina Retirement System
Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|--------------|---------------|
| County's Proportion of the Collective Net Pension Liability | 0.050195% | 0.050507% | 0.049787% | 0.081311% |
| County's Proportionate Share of the Collective Net Pension Liability | \$ 11,299,702 | \$ 10,788,221 | \$ 9,442,344 | \$ 13,999,059 |
| County's Covered-Employee Payroll | \$ 6,076,136 | \$ 4,895,086 | \$ 7,842,135 | \$ 7,382,455 |
| County's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered-Employee Payroll | 185.97% | 220.39% | 120.41% | 189.63% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 53.34% | 52.91% | 56.99% | 59.92% |

*The amounts presented were determined as of the prior fiscal year ending June 30.

Schedule 2

Cherokee County, South Carolina
Schedule of the County's Contributions
South Carolina Retirement System
Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|
| Statutorially Required Contributions | \$ 631,636 | \$ 627,224 | \$ 541,397 | \$ 854,792 |
| Contributions in Relation to the Statutorially Required Contributions | \$ 631,636 | \$ 627,224 | \$ 541,397 | \$ 854,792 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| County's Covered-Employee Payroll | \$ 6,076,136 | \$ 5,425,815 | \$ 4,895,086 | \$ 7,842,135 |
| Contributions as a Percentage of Covered-Employee Payroll | 10.40% | 11.56% | 11.06% | 10.90% |

Notes to Schedule:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

Cherokee County, South Carolina
Schedule of the County's Proportionate Share of the
Collective Net Pension Liability
South Carolina Police Officers Retirement System
Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|
| County's Proportion of the Collective Net Pension Liability | 0.297870% | 0.302910% | 0.304780% | 0.291680% |
| County's Proportionate Share of the Collective Net Pension Liability | \$ 8,160,330 | \$ 7,683,236 | \$ 6,642,756 | \$ 5,583,983 |
| County's Covered-Employee Payroll | \$ 4,005,403 | \$ 3,775,721 | \$ 3,775,721 | \$ 3,507,756 |
| County's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered-Employee Payroll | 203.73% | 203.49% | 175.93% | 159.19% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 60.90% | 60.44% | 64.57% | 67.55% |

*The amounts presented were determined as of the prior fiscal year ending June 30.

Cherokee County, South Carolina
Schedule of the County's Contributions
South Carolina Police Officers Retirement System
Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 |
|---|------------|------------|------------|--------------|
| Statutorially Required Contributions | \$ 571,928 | \$ 570,369 | \$ 530,594 | \$ 506,342 |
| Contributions in Relation to the Statutorially Required Contributions | \$ 571,928 | \$ 570,369 | \$ 530,594 | \$ 506,342 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| County's Covered-Employee Payroll | 4,339,808 | 4,005,403 | 3,861,673 | \$ 3,775,721 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.18% | 14.24% | 13.74% | 13.00% |

Notes to Schedules:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

CHEROKEE COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | BUDGETED AMOUNTS | | | VARIANCE POSITIVE (NEGATIVE) |
|---------------------------------|------------------|---------------|---------------|------------------------------------|
| | ORIGINAL | FINAL | ACTUAL | |
| Revenues | | | | |
| Taxes | \$ 14,420,665 | \$ 14,420,665 | \$ 14,834,892 | \$ 414,227 |
| Licenses and permits | 197,200 | 197,200 | 294,095 | 96,895 |
| Intergovernmental | 2,357,847 | 2,357,847 | 3,367,866 | 1,010,019 |
| Charges for services | 779,756 | 779,756 | 961,709 | 181,953 |
| Fines | 587,500 | 587,500 | 649,501 | 62,001 |
| Interest | - | - | 152,299 | 152,299 |
| Miscellaneous | 780,200 | 780,200 | 1,035,953 | 255,753 |
| Total Revenues | 19,123,168 | 19,123,168 | 21,296,315 | 2,173,147 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Vehicle Maintenance | 178,826 | 178,826 | 162,403 | 16,423 |
| Administration | 596,807 | 596,807 | 600,064 | (3,257) |
| Pooled Vehicles | 8,425 | 8,425 | 8,290 | 135 |
| Finance | 441,189 | 441,189 | 436,352 | 4,837 |
| Human Resources | 106,995 | 106,995 | 106,884 | 111 |
| Information Technology | 202,836 | 202,836 | 211,079 | (8,243) |
| Central Purchasing | 1,800 | 1,800 | 63,842 | (62,042) |
| Central Services | 1,753,967 | 1,753,967 | 1,280,857 | 473,110 |
| County Buildings | 218,083 | 218,083 | 186,288 | 31,795 |
| Administrative Building Complex | 268,247 | 268,247 | 219,238 | 49,009 |
| Courthouse | 67,384 | 67,384 | 53,204 | 14,180 |
| Development Board | 165,370 | 165,370 | 80,901 | 84,469 |
| Delinquent Tax Collector | 126,020 | 126,020 | 132,795 | (6,775) |
| Treasurer | 352,748 | 352,748 | 352,264 | 484 |
| Auditor | 260,771 | 260,771 | 237,094 | 23,677 |
| Building Inspectors | 293,011 | 293,011 | 288,955 | 4,056 |
| Tax Assessor | 449,207 | 449,207 | 418,248 | 30,959 |
| Risk Management | 62,515 | 62,515 | 58,411 | 4,104 |
| Addressing | 70,151 | 70,151 | 70,375 | (224) |
| GIS/Mapping | 101,777 | 101,777 | 101,004 | 773 |
| Poll Workers | 182,559 | 182,559 | 219,820 | (37,261) |
| Magistrate - Gaffney | 648,929 | 648,929 | 665,087 | (16,158) |
| Clerk of Court | 261,395 | 261,395 | 264,340 | (2,945) |
| Probate Court | 277,712 | 277,712 | 277,590 | 122 |
| Register of Deeds | 225,730 | 225,730 | 209,855 | 15,875 |
| Attorney/Judicial | 83,106 | 83,106 | 81,791 | 1,315 |
| Clerk of Court Support | 273,546 | 273,546 | 245,010 | 28,536 |
| Circuit Solicitor | 237,291 | 237,291 | 225,940 | 11,351 |
| Victims Advocate | 121,062 | 121,062 | 115,338 | 5,724 |
| Appalachian COG | 38,370 | 38,370 | 38,370 | - |
| Cherokee Defender Corp | 140,000 | 140,000 | 140,000 | - |
| | 8,215,829 | 8,215,829 | 7,551,689 | 664,140 |
| Public Safety | | | | |
| Code Enforcement | 106,883 | 106,883 | 107,850 | (967) |
| Communications | 542,786 | 542,786 | 1,365,374 | (822,588) |
| Animal Shelter | 145,815 | 145,815 | 149,295 | (3,480) |
| Enhanced Communications/911 | 1,155,126 | 1,155,126 | 1,070,810 | 84,316 |
| Fire Protection | 281,500 | 281,500 | 187,095 | 94,405 |
| Coroner | 234,906 | 234,906 | 293,212 | (58,306) |
| Law Enforcement Center | 122,687 | 122,687 | 115,119 | 7,568 |
| Sheriff | 4,592,450 | 4,592,450 | 4,565,471 | 26,979 |
| Detention Center | 3,120,378 | 3,120,378 | 3,328,321 | (207,943) |
| Emergency Preparedness | 162,061 | 162,061 | 177,196 | (15,135) |
| | 10,464,592 | 10,464,592 | 11,359,743 | (895,151) |

CHEROKEE COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--------------------------------------|---------------------|---------------------|----------------------|------------------------------------|
| | ORIGINAL | FINAL | | |
| Environmental and Housing | | | | |
| Department of Public Works | 159,192 | 159,192 | 149,269 | 9,923 |
| Solid Waste Collections | 2,002,657 | 2,002,657 | 1,687,473 | 315,184 |
| C and D Landfill | 400,227 | 400,227 | 495,600 | (95,373) |
| Solid Waste Disposal | 78,230 | 78,230 | 79,465 | (1,235) |
| Recycling Center | 593,577 | 593,577 | 543,511 | 50,066 |
| Clemson Ext Service | 28,296 | 28,296 | 28,296 | - |
| Thicketty Creek Project | 8,900 | 8,900 | 8,900 | - |
| USDA Soil Conservation | 10,000 | 10,000 | 10,000 | - |
| | <u>3,281,079</u> | <u>3,281,079</u> | <u>3,002,514</u> | <u>278,565</u> |
| Health and Human Services | | | | |
| Veterans Office | 216,321 | 216,321 | 190,390 | 25,931 |
| Alcohol and Drug Abuse | - | - | - | - |
| Health Department | 33,760 | 33,760 | 33,760 | - |
| Indigent Care | 195,027 | 195,027 | 165,776 | 29,251 |
| County Health and Human Services | 297,938 | 297,938 | 298,351 | (413) |
| Social Services | 29,200 | 29,200 | 32,955 | (3,755) |
| Habilitation Services | 50,000 | 50,000 | 50,000 | - |
| Service to Aging | 35,000 | 35,000 | 35,000 | - |
| Regional Mental Health | 35,000 | 35,000 | 35,000 | - |
| Piedmont Community Acts | - | - | - | - |
| Literacy Association | 15,000 | 15,000 | 15,000 | - |
| | <u>907,246</u> | <u>907,246</u> | <u>856,232</u> | <u>51,014</u> |
| Transportation | | | | |
| Roads and Bridges | 1,280,567 | 1,280,567 | 638,252 | 642,315 |
| | <u>1,280,567</u> | <u>1,280,567</u> | <u>638,252</u> | <u>642,315</u> |
| Culture and Recreation | | | | |
| Library | - | - | 44 | (44) |
| Recreation district | 1,304 | 1,304 | 1,578 | (274) |
| | <u>1,304</u> | <u>1,304</u> | <u>1,622</u> | <u>(318)</u> |
| Total Expenditures | <u>24,150,617</u> | <u>24,150,617</u> | <u>23,410,052</u> | <u>740,565</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | <u>(5,027,449)</u> | <u>(5,027,449)</u> | <u>(2,113,737)</u> | <u>2,913,712</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | 50,000 | 50,000 | 28,715 | (21,285) |
| Transfers in | 5,466,448 | 5,466,448 | 7,763,614 | 2,297,166 |
| Transfers out | <u>(582,000)</u> | <u>(582,000)</u> | <u>(6,077,363)</u> | <u>(5,495,363)</u> |
| Total Other Financing Sources (Uses) | <u>4,934,448</u> | <u>4,934,448</u> | <u>1,714,966</u> | <u>(3,219,482)</u> |
| Net Change in Fund Balance | (93,001) | (93,001) | (398,771) | (305,770) |
| Fund Balance - Beginning of Year | <u>9,987,084</u> | <u>9,987,084</u> | <u>30,027,510</u> | <u>20,040,426</u> |
| Fund Balance - End of Year | <u>\$ 9,894,083</u> | <u>\$ 9,894,083</u> | <u>\$ 29,628,739</u> | <u>\$ 19,734,656</u> |

Note: The budget is prepared and monitored on a U.S. generally accepted accounting principles (GAAP) basis of accounting.

CHEROKEE COUNTY, SOUTH CAROLINA
 SCHEDULE OF CHANGES IN COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 |
|---|---------------------|
| Service Cost | \$ 85,100 |
| Interest on the total OPEB liability | 114,900 |
| Changes of benefit terms | - |
| Difference between expected and actual experience on the total OPEB liability | - |
| Changes of assumptions | - |
| Benefit payments | (112,000) |
| Net change in total OPEB liability | 88,000 |
| Total OPEB liability - beginning | 3,198,800 |
| Total OPEB liability - ending | <u>\$ 3,286,800</u> |
| Covered employee payroll | 4,811,300 |
| Total OPEB liability as a percentage of covered-employee payroll | 68.31% |

Notes to Schedules:

There are no assets accumulated in a trust to pay the related benefits

June 30, 2018 was the first year of GASB 75 Implementation, therefore ten year data is not yet available

**COMBINING AND INDIVIDUAL NONMAJOR FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | | |
|---------------------------------------|--------------------------|-----------------------|-------------------------|-------------------|---------------------|-----------------------|-----------------------------------|-----------------|------------------|----------------------|------------------|
| | Carolina Thread Trail | Over Mtn Endowment | Rural Infrastructure | 911 Telephone | E911 Surcharge | Drug Enforce Agent | Sheriff Seized Gambling Monies | Used Oil | Waste Tire | Victim Assistance | Sheriff Drug |
| Assets | | | | | | | | | | | |
| Cash | \$ 692 | \$ 6,595 | \$ 227,492 | \$ 867,482 | \$ 4,576,577 | \$ 36,183 | \$ 3,276 | \$ 1,193 | \$ 44,699 | \$ 78,587 | \$ 31,109 |
| Taxes receivable (net) | - | - | - | - | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | \$ 159,115 | - | - | - | 13,693 | - | - |
| Due from other funds | - | - | 64,110 | - | 176,427 | - | - | 873 | - | - | 326 |
| Prepaid expenses | - | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 692</u> | <u>\$ 6,595</u> | <u>\$ 291,602</u> | <u>\$ 867,482</u> | <u>\$ 4,912,119</u> | <u>\$ 36,183</u> | <u>\$ 3,276</u> | <u>\$ 2,066</u> | <u>\$ 58,392</u> | <u>\$ 78,587</u> | <u>\$ 31,435</u> |
| Liabilities | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | 271,500 | 867,120 | 2,666,236 | 36,183 | - | - | 58,455 | 78,587 | 51 |
| Escrow Funds | - | - | - | - | - | - | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>271,500</u> | <u>867,120</u> | <u>2,666,236</u> | <u>36,183</u> | <u>-</u> | <u>-</u> | <u>58,455</u> | <u>78,587</u> | <u>51</u> |
| Deferred Inflows of Resources | | | | | | | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balances | | | | | | | | | | | |
| Restricted | 692 | 6,595 | 20,102 | - | 2,245,883 | - | 3,276 | - | - | - | 31,384 |
| Assigned | - | - | - | 362 | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | 2,066 | (63) | - | - |
| | <u>692</u> | <u>6,595</u> | <u>20,102</u> | <u>362</u> | <u>2,245,883</u> | <u>-</u> | <u>3,276</u> | <u>2,066</u> | <u>(63)</u> | <u>-</u> | <u>31,384</u> |
| | <u>\$ 692</u> | <u>\$ 6,595</u> | <u>\$ 291,602</u> | <u>\$ 867,482</u> | <u>\$ 4,912,119</u> | <u>\$ 36,183</u> | <u>\$ 3,276</u> | <u>\$ 2,066</u> | <u>\$ 58,392</u> | <u>\$ 78,587</u> | <u>\$ 31,435</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | |
|---------------------------------------|-----------------------|---------------------|----------------------------------|-----------------------|----------------------------|--------------------------|----------------|-------------------|-----------------------|--------------------|
| | Jail Canteen | Inmate Telephone | East Gaffney Lighting Project | Victory Trail Fund | Title IV-D Family Court | Solicitor Renovations | Adopt-A Cop | "C" Funds | Restrict Solicitor | Estreated Bonds |
| Assets | | | | | | | | | | |
| Cash | \$ 172,274 | \$ 123,565 | \$ 5,000 | \$ 31,030 | \$ 340,183 | \$ 16,548 | \$ 185 | \$ 493,519 | \$ 106,033 | \$ 34,663 |
| Taxes receivable (net) | - | - | - | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | 65,044 | - | - | 77,074 | - | - |
| Due from other funds | - | - | - | - | - | - | 105 | 50 | - | - |
| Prepaid expenses | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 172,274</u> | <u>\$ 123,565</u> | <u>\$ 5,000</u> | <u>\$ 31,030</u> | <u>\$ 405,227</u> | <u>\$ 16,548</u> | <u>\$ 290</u> | <u>\$ 570,643</u> | <u>\$ 106,033</u> | <u>\$ 34,663</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 6 | 354 | - | - | 405,227 | - | - | 7,659 | 337 | 454 |
| Escrow Funds | - | - | - | - | - | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - |
| | <u>6</u> | <u>354</u> | <u>-</u> | <u>-</u> | <u>405,227</u> | <u>-</u> | <u>-</u> | <u>7,659</u> | <u>337</u> | <u>454</u> |
| Deferred Inflows of Resources | | | | | | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - | - | - | - | - | - |
| Fund Balances | | | | | | | | | | |
| Restricted | - | - | 5,000 | 31,030 | - | 16,548 | - | 562,984 | 105,696 | 34,209 |
| Assigned | 172,268 | 123,211 | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | 290 | - | - | - |
| | <u>172,268</u> | <u>123,211</u> | <u>5,000</u> | <u>31,030</u> | <u>-</u> | <u>16,548</u> | <u>290</u> | <u>562,984</u> | <u>105,696</u> | <u>34,209</u> |
| | <u>\$ 172,274</u> | <u>\$ 123,565</u> | <u>\$ 5,000</u> | <u>\$ 31,030</u> | <u>\$ 405,227</u> | <u>\$ 16,548</u> | <u>\$ 290</u> | <u>\$ 570,643</u> | <u>\$ 106,033</u> | <u>\$ 34,663</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
JUNE 30, 2018

| Special Revenue Funds | | | | | | | | | | |
|---------------------------------------|------------------|------------------|----------------------------------|---------------------------|-------------------|---------------------|------------------|------------------|--------------------------|----------------------|
| | Weekend Jail | Sex Offender | School Resource Officer Grant | Emergency Preparedness | Fire Insurance | Sheriff Hardship | Sheriff DSS | Federal Drug | Title IV-D Incentives | Bulletproof Vests |
| Assets | | | | | | | | | | |
| Cash | \$ 47,180 | \$ 71,399 | \$ 49,258 | \$ 64,380 | \$ - | \$ 9,807 | \$ 28,123 | \$ 55,274 | \$ 218,682 | \$ 8,400 |
| Taxes receivable (net) | - | - | - | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | 115,264 | - | 3,350 | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | 5,350 | 1,633 | - |
| Prepaid expenses | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 47,180</u> | <u>\$ 71,399</u> | <u>\$ 49,258</u> | <u>\$ 64,380</u> | <u>\$ 115,264</u> | <u>\$ 9,807</u> | <u>\$ 31,473</u> | <u>\$ 60,624</u> | <u>\$ 220,315</u> | <u>\$ 8,400</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 288 | - | - | - | - | - | 32,579 | 18 | 5,350 |
| Escrow Funds | - | - | - | - | - | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - |
| | <u>-</u> | <u>288</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,579</u> | <u>18</u> | <u>5,350</u> |
| Deferred Inflows of Resources | | | | | | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - | - | - | - | - | - |
| Fund Balances | | | | | | | | | | |
| Restricted | - | 71,111 | 49,258 | 64,380 | 115,264 | 9,807 | 31,473 | 28,045 | 220,297 | 3,050 |
| Assigned | 47,180 | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| | <u>47,180</u> | <u>71,111</u> | <u>49,258</u> | <u>64,380</u> | <u>115,264</u> | <u>9,807</u> | <u>31,473</u> | <u>28,045</u> | <u>220,297</u> | <u>3,050</u> |
| | <u>\$ 47,180</u> | <u>\$ 71,399</u> | <u>\$ 49,258</u> | <u>\$ 64,380</u> | <u>\$ 115,264</u> | <u>\$ 9,807</u> | <u>\$ 31,473</u> | <u>\$ 60,624</u> | <u>\$ 220,315</u> | <u>\$ 8,400</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
JUNE 30, 2018

| Special Revenue Funds | | | | | | | | | | |
|---------------------------------------|------------------|-------------------------|---------------------|----------------------|-------------------|-----------------------------|--------------|------------------|----------------------|------------------------------|
| | Solicitor | Emergency Management | Library | Development Board | Fire Districts | Law Enforcement Training | Hazmat | DHEC Grant | SC DHEC HPP Grant | Sheriff Confiscated Funds |
| Assets | | | | | | | | | | |
| Cash | \$ 24,590 | \$ 19,565 | \$ 1,310,014 | \$ 149,194 | \$ - | \$ 1,767 | \$ 48 | \$ 11,054 | \$ (13,053) | \$ 214,798 |
| Taxes receivable (net) | - | - | 29,966 | - | 54,384 | - | - | - | - | - |
| Other receivables | - | 41,177 | 114,250 | - | - | - | - | - | 12,818 | - |
| Due from other funds | - | - | - | - | 130,169 | 572 | - | - | 235 | 151 |
| Prepaid expenses | - | - | 36,899 | - | - | - | - | - | - | - |
| | <u>\$ 24,590</u> | <u>\$ 60,742</u> | <u>\$ 1,491,129</u> | <u>\$ 149,194</u> | <u>\$ 184,553</u> | <u>\$ 2,339</u> | <u>\$ 48</u> | <u>\$ 11,054</u> | <u>\$ -</u> | <u>\$ 214,949</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 10,405 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 19,566 | - | - | - | 326 | - | - | - | 8,868 |
| Escrow Funds | - | - | - | - | - | - | - | - | - | - |
| Accrued expenses | - | - | 19,271 | 8,716 | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | 206,146 |
| | <u>-</u> | <u>19,566</u> | <u>29,676</u> | <u>8,716</u> | <u>-</u> | <u>326</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>215,014</u> |
| Deferred Inflows of Resources | | | | | | | | | | |
| Unavailable revenues - property taxes | - | - | 30,554 | - | 49,742 | - | - | - | - | - |
| Fund Balances | | | | | | | | | | |
| Restricted | 24,590 | - | 36,899 | - | - | - | 48 | 11,054 | - | (65) |
| Assigned | - | - | \$ 1,394,000 | \$ 140,478 | 134,811 | 2,013 | - | - | - | - |
| Unassigned | - | 41,176 | - | - | - | - | - | - | - | - |
| | <u>24,590</u> | <u>41,176</u> | <u>1,430,899</u> | <u>140,478</u> | <u>134,811</u> | <u>2,013</u> | <u>48</u> | <u>11,054</u> | <u>-</u> | <u>(65)</u> |
| | <u>\$ 24,590</u> | <u>\$ 60,742</u> | <u>\$ 1,491,129</u> | <u>\$ 149,194</u> | <u>\$ 184,553</u> | <u>\$ 2,339</u> | <u>\$ 48</u> | <u>\$ 11,054</u> | <u>\$ -</u> | <u>\$ 214,949</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | Debt Service Fund | Totals |
|---------------------------------------|-----------------------|------------------|--------------------------|-------------------------------------|-------------------------|---------------------|----------------------|---------------------|-----------------|-------------------------|----------------------|
| | Restitution | Dare | Electronic Monitoring | 7th Circuit Solicitor - Gambling | Emergency Mgmt/CoGen | Project Offsides | Project Kickstart | Proj Sewer Study | Others | | |
| Assets | | | | | | | | | | | |
| Cash | \$ 1,787 | \$ 18,894 | \$ 64,251 | \$ 548,406 | \$ 2,000 | \$ 237,958 | \$ - | \$ 30,000 | \$ 3,585 | \$ 830,746 | \$ 11,204,992 |
| Taxes receivable (net) | - | - | - | - | - | - | - | - | - | 38,536 | 122,886 |
| Other receivables | - | - | - | - | - | - | - | - | - | - | 601,785 |
| Due from other funds | - | - | - | - | - | - | 301,500 | - | - | 878,971 | 1,560,472 |
| Prepaid expenses | - | - | - | - | - | - | - | - | - | - | 36,899 |
| | <u>\$ 1,787</u> | <u>\$ 18,894</u> | <u>\$ 64,251</u> | <u>\$ 548,406</u> | <u>\$ 2,000</u> | <u>\$ 237,958</u> | <u>\$ 301,500</u> | | <u>\$ 3,585</u> | <u>\$ 1,748,253</u> | <u>\$ 13,527,034</u> |
| Liabilities | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,405 |
| Due to other funds | - | 2,560 | 56,970 | - | - | - | 64,110 | 30,000 | 212 | - | 4,613,016 |
| Escrow Funds | - | - | - | - | - | - | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - | - | - | - | - | - | 27,987 |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - | 206,146 |
| | <u>-</u> | <u>2,560</u> | <u>56,970</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>64,110</u> | <u>30,000</u> | <u>212</u> | <u>-</u> | <u>4,857,554</u> |
| Deferred Inflows of Resources | | | | | | | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - | - | - | - | - | 32,503 | 112,799 |
| Fund Balances | | | | | | | | | | | |
| Restricted | 1,787 | 16,334 | 7,281 | 548,406 | 2,000 | 237,958 | 237,390 | - | 3,140 | 1,715,750 | 6,498,656 |
| Assigned | - | - | - | - | - | - | - | - | - | - | 2,014,323 |
| Unassigned | - | - | - | - | - | - | - | - | 233 | - | 43,702 |
| | <u>1,787</u> | <u>16,334</u> | <u>7,281</u> | <u>548,406</u> | <u>2,000</u> | <u>237,958</u> | <u>237,390</u> | <u>-</u> | <u>3,373</u> | <u>1,715,750</u> | <u>8,556,681</u> |
| | <u>\$ 1,787</u> | <u>\$ 18,894</u> | <u>\$ 64,251</u> | <u>\$ 548,406</u> | <u>\$ 2,000</u> | <u>\$ 237,958</u> | <u>\$ 301,500</u> | | <u>\$ 3,585</u> | <u>\$ 1,748,253</u> | <u>\$ 13,527,034</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | | | |
|--|--------------------------|-----------------------|-------------------------|------------------|-------------------|-----------------------------------|-------------|---------------|--------------|----------------------|-----------------|-----------------|
| | Carolina Thread Trail | Over Mtn Endowment | Rural Infrastructure | 911 Telephone | E911 Surcharge | Sheriff Seized Gambling Monies | Used Oil | Waste Tire | EMS Grant | Victim Assistance | Sheriff Drug | Jail Canteen |
| Revenues | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 250,000 | 148,156 | 1,093,137 | - | 6,139 | 42,980 | 9,039 | - | - | - |
| Interest | - | 1 | - | 2 | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - | - | - |
| Confiscated money | - | - | - | - | - | - | - | - | - | - | 726.07 | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 92,956 | - | 69,301 |
| | - | 1 | 250,000 | 148,158 | 1,093,137 | - | 6,139 | 42,980 | 9,039 | 92,956 | 726 | 69,301 |
| Expenditures | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| General government | - | 80 | 250,000 | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | 90 | - | - | - | - | - | - | 142,449 | 17,510 |
| Transportation | - | - | - | - | - | - | - | - | - | - | - | - |
| Health and human services | - | - | - | - | - | - | - | - | 9,039 | - | - | - |
| Environmental and housing | - | - | - | - | - | - | 4,073 | 3,200 | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - | - | 11,126 | 24,133 |
| Debt service | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | 80 | 250,000 | 90 | - | - | 4,073 | 3,200 | 9,039 | - | 153,575 | 41,643 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (79) | - | 148,068 | 1,093,137 | - | 2,066 | 39,780 | - | 92,956 | (152,849) | 27,658 |
| Other Financing Sources (Uses) | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | (271,500) | (176,427) | (700,660) | - | - | (39,843) | - | (92,956) | - | - |
| Total other financing sources (uses) | - | - | (271,500) | (176,427) | (700,660) | - | - | (39,843) | - | (92,956) | - | - |
| Net Change in Fund Balances | - | (79) | (271,500) | (28,359) | 392,477 | - | 2,066 | (63.00) | - | - | (152,849) | 27,658 |
| Fund Balances - Beginning of Year | 692 | 6,674 | 291,602 | 28,721 | 1,853,406 | 3,276 | - | - | - | - | 184,233 | 144,610 |
| Fund Balances - End of Year | \$ 692 | \$ 6,595 | \$ 20,102 | \$ 362 | \$ 2,245,883 | \$ 3,276 | \$ 2,066 | \$ (63) | \$ - | \$ - | \$ 31,384 | \$ 172,268 |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | | |
|--|-----------------------|----------------------------------|----------------------|----------------|-----------------------|----------------------------|--------------------------|-------------|------------|-----------------------|--------------------|
| | Inmate Telephone | East Gaffney Lighting Project | Regional Planning | Solid Waste | Victory Trail Fund | Title IV-D Family Court | Solicitor Renovations | Adopt-A-Cop | "C" Funds | Restrict Solicitor | Estreated Bonds |
| Revenues | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 150,000 | 9,000 | - | 262,926 | - | - | 1,512,220 | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - | - |
| Confiscated money | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 39,288 | - | - | - | - | - | - | - | - | 60,000 | 19,779 |
| | 39,288 | - | 150,000 | 9,000 | - | 262,926 | - | - | 1,512,220 | 60,000 | 19,779 |
| Expenditures | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| General government | - | - | 150,000 | - | - | - | - | - | - | 86,597 | 1,837 |
| Public safety | 10,367 | - | - | - | - | - | - | 810 | - | - | - |
| Transportation | - | - | - | - | - | - | - | - | 1,470,497 | - | - |
| Health and human services | - | - | - | - | - | 4,444 | - | - | - | - | - |
| Environmental and housing | - | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | 1,023 | - | - | 9,000 | - | 6,632 | - | - | - | - | - |
| Debt service | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - |
| | 11,390 | - | 150,000 | 9,000 | - | 11,076 | - | 810 | 1,470,497 | 86,597 | 1,837 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 27,898 | - | - | - | - | 251,850 | - | (810) | 41,723 | (26,597) | 17,942 |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (251,850) | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | (251,850) | - | - | - | - | - |
| Net Change in Fund Balances | 27,898 | - | - | - | - | - | - | (810) | 41,723 | (26,597) | 17,942 |
| Fund Balances - Beginning of Year | 95,313 | 5,000 | - | - | 31,030 | - | 16,548 | 1,100 | 521,261 | 132,293 | 16,267 |
| Fund Balances - End of Year | \$ 123,211 | \$ 5,000 | \$ - | \$ - | \$ 31,030 | \$ - | \$ 16,548 | \$ 290 | \$ 562,984 | \$ 105,696 | \$ 34,209 |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | | | | |
|--|-----------------------|-----------------|-----------|-------------------|---------------------|----------------|-----------------|--------------------------|----------------------|-----------|-------------------------|--------------|
| | Weekend Jail | Sex Offender | EPD | Fire Insurance | Sheriff Hardship | Sheriff DSS | Federal Drug | Title IV-D Incentives | Bulletproof Vests | Solicitor | Emergency Management | Library |
| Revenues | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | 18,945.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 915,606 |
| Intergovernmental | - | - | - | - | - | 10,774 | - | 14,671 | - | - | 64,712 | 115,990 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - | - | 31,858 |
| Confiscated money | - | - | - | - | - | - | 17,456 | - | - | 1,681 | - | - |
| Miscellaneous | 6,431 | 20,888 | 30,000 | 96,319.00 | - | - | - | - | 600 | - | - | 7,108 |
| | 6,431 | 20,888 | 30,000 | 115,264 | - | 10,774 | 17,456 | 14,671 | 600 | 1,681 | 64,712 | 1,070,562 |
| Expenditures | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | 4,499 | - | - |
| Public safety | 3,369 | 674 | 6,463 | - | - | 3,488 | 6,795 | - | - | - | 5,557 | - |
| Transportation | - | - | - | - | - | - | - | - | - | - | - | - |
| Health and human services | - | - | - | 104,935 | - | - | - | 4,590 | - | - | - | - |
| Environmental and housing | - | - | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | - | 861,814 |
| Capital outlay | 11,255 | - | 18,393 | - | - | - | 1,408 | 19,827 | - | - | 4,844 | 566 |
| Debt service | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - | - |
| | 14,624 | 674 | 24,856 | 104,935 | - | 3,488 | 8,203 | 24,417 | - | 4,499 | 10,401 | 862,380 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,193) | 20,214 | 5,144 | 10,329 | - | 7,286 | 9,253 | (9,746) | 600 | (2,818) | 54,311 | 208,182 |
| Other Financing Sources (Uses) | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | (12,043) | - | - | (13,135) | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | (12,043) | - | - | (13,135) | - |
| Net Change in Fund Balances | (8,193) | 20,214 | 5,144 | 10,329 | - | 7,286 | 9,253 | (21,789) | 600 | (2,818) | 41,176 | 208,182 |
| Fund Balances - Beginning of Year | 55,373 | 50,897 | 59,236 | 104,935 | 9,807 | 24,187 | 18,792 | 242,086 | 2,450 | 27,408 | - | 1,222,717 |
| Fund Balances - End of Year | \$ 47,180 | \$ 71,111 | \$ 64,380 | \$ 115,264 | \$ 9,807 | \$ 31,473 | \$ 28,045 | \$ 220,297 | \$ 3,050 | \$ 24,590 | \$ 41,176 | \$ 1,430,899 |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | |
|---|-----------------------|----------|--------|-------------------|---------------------------|-----------|----------------|------------|-------------|
| | Development Board | LETC | Hazmat | SC DHEC HPP Grant | Sheriff Confiscated Funds | Dare | Fire Districts | DHEC Grant | Restitution |
| Revenues | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,558,663 | \$ - | \$ - |
| Intergovernmental | - | - | - | 1,971 | - | - | - | 11,054 | - |
| Interest | 23 | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Confiscated money | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 22,500 | 7,385 | - | - | - | 13,602 | - | - | - |
| | 22,523 | 7,385 | - | 1,971 | - | 13,602 | 1,558,663 | 11,054 | - |
| Expenditures | | | | | | | | | |
| Current | | | | | | | | | |
| General government | 203,867 | - | - | - | - | - | - | - | - |
| Public safety | - | 6,824 | - | - | 65 | 17,919 | 1,895,574 | - | 509 |
| Transportation | - | - | - | - | - | - | - | - | - |
| Health and human services | - | - | - | - | - | - | - | 0 | - |
| Environmental and housing | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | 1,980 | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| | 203,867 | 6,824 | - | 1,980 | 65 | 17,919 | 1,895,574 | - | 509 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (181,344) | 561 | - | (9) | (65) | (4,317) | (336,911) | 11,054 | (509) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | 195,000 | - | - | - | - | - | 387,000 | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 195,000 | - | - | - | - | - | 387,000 | - | - |
| Net Change in Fund Balances | 13,656 | 561 | - | (9) | (65) | (4,317) | 50,089 | 11,054 | (509) |
| Fund Balances - Beginning of Year | 126,822 | 1,452 | 48 | 9 | - | 20,651 | 84,722 | - | 2,296 |
| Fund Balances - End of Year | \$ 140,478 | \$ 2,013 | \$ 48 | \$ - | \$ (65) | \$ 16,334 | \$ 134,811 | \$ 11,054 | \$ 1,787 |

CHEROKEE COUNTY, SOUTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | Debt | Totals | |
|--|-----------------------|---------------------|---------------------|----------------------------|---------------------------------|--------------------------|--------------------------|----------------------|---------------------------|--------------|-----------------|
| | Others | Proj Sewer Study | Project Offsides | School Resource Officer | 7th Circ. Solicitor Gambling | Emergency Mgmt/Co-Gen | Electronic Monitoring | Project Kickstart | Recycle Grant H.W.C.D. | | Service Fund |
| Revenues | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,033,926 | \$ 3,527,140 |
| Intergovernmental | 119,630 | 30,000 | 300,000 | - | - | - | - | - | 326,481.23 | - | 4,478,880 |
| Interest | - | - | - | - | - | - | - | - | - | - | 26 |
| Charges for services | - | - | - | - | - | - | - | - | - | - | 31,858 |
| Confiscated money | - | - | - | - | 1,562 | - | - | - | - | - | 21,425 |
| Miscellaneous | 11,570.00 | - | - | 49,258 | - | - | 129,717 | - | - | - | 676,702 |
| | 131,200 | 30,000 | 300,000 | 49,258 | 1,562 | - | 129,717 | - | - | 1,033,926 | 8,736,031 |
| Expenditures | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| General government | - | 30,000 | 62,042 | - | - | - | - | 34,110 | - | - | 823,032 |
| Public safety | 11,145 | - | - | - | - | - | 65,466 | - | - | - | 2,195,074 |
| Transportation | - | - | - | - | - | - | - | - | - | - | 1,470,497 |
| Health and human services | - | - | - | - | - | - | - | - | - | - | 123,008 |
| Environmental and housing | - | - | - | - | - | - | - | - | 322,580.00 | - | 329,853 |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | 861,814 |
| Capital outlay | 120,544 | - | - | - | - | - | - | - | - | - | 230,731 |
| Debt service | - | - | - | - | - | - | - | - | - | - | - |
| Principal retirement | - | - | - | - | - | - | - | - | - | 650,000 | 650,000 |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | 188,700 | 188,700 |
| | 131,689 | 30,000 | 62,042 | - | - | - | 65,466 | 34,110 | - | 838,700 | 6,872,709 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (489) | - | 237,958 | 49,258 | 1,562 | - | 64,251 | (34,110) | - | 195,226 | 1,859,421 |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 271,500 | - | - | 853,500 |
| Transfers out | - | - | - | - | - | - | (56,970) | - | (3,901) | - | (1,619,285) |
| Total other financing sources (uses) | - | - | - | - | - | - | (56,970) | 271,500 | - | - | (765,785) |
| Net Change in Fund Balances | (489) | - | 237,958 | 49,258 | 1,562 | - | 7,281 | 237,390 | - | 195,226 | 1,097,537 |
| Fund Balances - Beginning of Year | 3,862 | - | - | - | 546,844 | 2,000 | - | - | - | 1,520,524 | 7,459,144 |
| Fund Balances - End of Year | \$ 3,373 | \$ - | \$ 237,958 | \$ 49,258 | \$ 548,406 | \$ 2,000 | \$ 7,281 | \$ 237,390 | - | \$ 1,715,750 | \$ 8,556,681 |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

| | School District | | Support Office | Clerk of Court | | | | |
|------------------------------------|----------------------|----------------------|-------------------|--------------------------------|------------------|--------------------|---------------------------|---------------------|
| | Cherokee No. 1 | Spartanburg No. 2 | | Out of Town Surety Bonds | Bondsmen | Finance Officer | Magistrates Cash Bonds | Tax Collector |
| Assets | | | | | | | | |
| Cash | \$ 38,277,974 | \$ - | \$ 169,744 | \$ 2,192 | \$ 75,861 | \$ 85,832 | \$ 159,198 | \$ 1,198,630 |
| Other receivables | - | - | - | - | - | - | - | - |
| Due from other funds | - | 45,455 | - | - | - | - | - | - |
| Taxes receivable (net) | 1,180,057 | 236,479 | - | - | - | - | - | - |
| | <u>\$ 39,458,031</u> | <u>\$ 281,934</u> | <u>\$ 169,744</u> | <u>\$ 2,192</u> | <u>\$ 75,861</u> | <u>\$ 85,832</u> | <u>\$ 159,198</u> | <u>\$ 1,198,630</u> |
| Liabilities | | | | | | | | |
| Due to other designated recipients | \$ 39,458,031 | \$ 281,934 | \$ 169,744 | \$ 2,192 | \$ 75,861 | \$ 85,832 | \$ 159,198 | \$ 1,198,630 |
| | <u>\$ 39,458,031</u> | <u>\$ 281,934</u> | <u>\$ 169,744</u> | <u>\$ 2,192</u> | <u>\$ 75,861</u> | <u>\$ 85,832</u> | <u>\$ 159,198</u> | <u>\$ 1,198,630</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

| | Cherokee Tech | City of Chesnee | Sheriffs Drug Fund | Inmate Trust Funds | Recreation District | 2016-CP 11-795 | CCCADA - Mini Bottle Tax | Town of Blacksburg | Macedonia | Total |
|------------------------------------|------------------|--------------------|-----------------------|--------------------------|------------------------|-------------------|-----------------------------|-----------------------|-------------------|----------------------|
| Assets | | | | | | | | | | |
| Cash | \$ - | \$ - | \$ 48,171 | \$ 10,706 | \$ - | \$ 11,200 | \$ 15,906 | \$ - | \$ - | \$ 40,055,414 |
| Other receivables | - | - | - | - | - | - | 83,496 | - | - | 83,496 |
| Due from other funds | 14,183 | 2,955 | - | - | 21,746 | - | - | - | 193,615 | 277,954 |
| Taxes receivable (net) | 18,023 | - | - | - | 28,884 | - | - | 29,369 | 6,969 | 1,499,781 |
| | <u>\$ 32,206</u> | <u>\$ 2,955</u> | <u>\$ 48,171</u> | <u>\$ 10,706</u> | <u>\$ 50,630</u> | <u>\$ 11,200</u> | <u>\$ 99,402</u> | <u>\$ 29,369</u> | <u>\$ 200,584</u> | <u>\$ 41,916,645</u> |
| Liabilities | | | | | | | | | | |
| Due to other designated recipients | <u>\$ 32,206</u> | <u>\$ 2,955</u> | <u>\$ 48,171</u> | <u>\$ 10,706</u> | <u>\$ 50,630</u> | <u>\$ 11,200</u> | <u>\$ 99,402</u> | <u>\$ 29,369</u> | <u>\$ 200,584</u> | <u>\$ 41,916,645</u> |
| | <u>\$ 32,206</u> | <u>\$ 2,955</u> | <u>\$ 48,171</u> | <u>\$ 10,706</u> | <u>\$ 50,630</u> | <u>\$ 11,200</u> | <u>\$ 99,402</u> | <u>\$ 29,369</u> | <u>\$ 200,584</u> | <u>\$ 41,916,645</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|--|-------------------------|-----------------------|-----------------------|--------------------------|
| School District - Cherokee No. 1 | | | | |
| Assets | | | | |
| Cash | \$ 35,315,681 | \$ 108,766,279 | \$ 105,803,986 | \$ 38,277,974 |
| Taxes receivable (net) | 1,098,275 | 1,180,057 | 1,098,275 | 1,180,057 |
| | <u>\$ 36,413,956</u> | <u>\$ 109,946,336</u> | <u>\$ 106,902,261</u> | <u>\$ 39,458,031</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 36,413,956 | \$ 109,946,336 | \$ 106,902,261 | \$ 39,458,031 |
| | <u>\$ 36,413,956</u> | <u>\$ 109,946,336</u> | <u>\$ 106,902,261</u> | <u>\$ 39,458,031</u> |
| School District - Sptbg. No. 2 | | | | |
| Assets | | | | |
| Due from other funds | - | 45,455 | - | 45,455 |
| Taxes receivable (net) | \$ 174,678 | \$ 905,050 | \$ 843,249 | \$ 236,479 |
| | <u>\$ 174,678</u> | <u>\$ 905,050</u> | <u>\$ 843,249</u> | <u>\$ 236,479</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 174,678 | \$ 905,050 | \$ 797,794 | \$ 281,934 |
| | <u>\$ 174,678</u> | <u>\$ 905,050</u> | <u>\$ 797,794</u> | <u>\$ 281,934</u> |
| Support Office | | | | |
| Assets | | | | |
| Cash | \$ 50,431 | \$ 5,688,274 | \$ 5,568,961 | \$ 169,744 |
| | <u>\$ 50,431</u> | <u>\$ 5,688,274</u> | <u>\$ 5,568,961</u> | <u>\$ 169,744</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 50,431 | \$ 5,688,274 | \$ 5,568,961 | \$ 169,744 |
| | <u>\$ 50,431</u> | <u>\$ 5,688,274</u> | <u>\$ 5,568,961</u> | <u>\$ 169,744</u> |
| Clerk of Court - Out of Town Surety Bonds | | | | |
| Assets | | | | |
| Cash | \$ 2,552 | \$ 5,182 | \$ 5,542 | \$ 2,192 |
| | <u>\$ 2,552</u> | <u>\$ 5,182</u> | <u>\$ 5,542</u> | <u>\$ 2,192</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 2,552 | \$ 5,182 | \$ 5,542 | \$ 2,192 |
| | <u>\$ 2,552</u> | <u>\$ 5,182</u> | <u>\$ 5,542</u> | <u>\$ 2,192</u> |
| Clerk of Court - Bondsmen | | | | |
| Assets | | | | |
| Cash | \$ 75,838 | \$ 23 | \$ - | \$ 75,861 |
| | <u>\$ 75,838</u> | <u>\$ 23</u> | <u>\$ -</u> | <u>\$ 75,861</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 75,838 | \$ 23 | \$ - | \$ 75,861 |
| | <u>\$ 75,838</u> | <u>\$ 23</u> | <u>\$ -</u> | <u>\$ 75,861</u> |
| Clerk of Court - Finance Officer | | | | |
| Assets | | | | |
| Cash | \$ 80,932 | \$ 10,000 | \$ 5,100 | \$ 85,832 |
| | <u>\$ 80,932</u> | <u>\$ 10,000</u> | <u>\$ 5,100</u> | <u>\$ 85,832</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 80,932 | \$ 10,000 | \$ 5,100 | \$ 85,832 |
| | <u>\$ 80,932</u> | <u>\$ 10,000</u> | <u>\$ 5,100</u> | <u>\$ 85,832</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY
 NET POSITION - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

| | Balance June 30, 2018 | Additions | Deductions | Balance June 30, 2018 |
|------------------------------------|--------------------------|--------------|--------------|--------------------------|
| Magistrate Cash Bonds | | | | |
| Assets | | | | |
| Cash | \$ 183,709 | \$ 1,365,604 | \$ 1,390,115 | \$ 159,198 |
| Liabilities | | | | |
| Due to other designated recipients | \$ 183,709 | \$ 1,365,604 | \$ 1,390,115 | \$ 159,198 |
| Tax Collector | | | | |
| Assets | | | | |
| Cash | \$ 640,740 | \$ 1,675,232 | \$ 1,117,342 | \$ 1,198,630 |
| Liabilities | | | | |
| Due to other designated recipients | \$ 640,740 | \$ 1,675,232 | \$ 1,117,342 | \$ 1,198,630 |
| Cherokee Tech | | | | |
| Assets | | | | |
| Due from other funds | - | 14,183 | - | 14,183 |
| Taxes receivable (net) | \$ 16,239 | \$ 567,104 | \$ 565,320 | \$ 18,023 |
| Liabilities | | | | |
| Due to other designated recipients | \$ 16,239 | \$ 567,104 | \$ 551,137 | \$ 32,206 |
| City of Chesnee | | | | |
| Assets | | | | |
| Due from other fund | \$ - | \$ 2,955 | \$ - | \$ 2,955 |
| Taxes receivable (net) | 385 | 44,979 | 45,364 | - |
| Liabilities | | | | |
| Due to other designated recipients | \$ 385 | \$ 44,979 | \$ 42,409 | \$ 2,955 |
| Sheriff's Drug Fund | | | | |
| Assets | | | | |
| Cash | \$ 51,171 | \$ - | \$ 3,000 | \$ 48,171 |
| Liabilities | | | | |
| Due to other designated recipients | \$ 51,171 | \$ - | \$ 3,000 | \$ 48,171 |
| Inmate Trust Fund | | | | |
| Assets | | | | |
| Cash | \$ 6,540 | \$ 329,214 | \$ 325,048 | \$ 10,706 |
| Liabilities | | | | |
| Due to other designated recipients | \$ 6,540 | \$ 329,214 | \$ 325,048 | \$ 10,706 |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY
 NET POSITION - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

| | Balance June 30, 2018 | Additions | Deductions | Balance June 30, 2018 |
|------------------------------------|--------------------------|----------------|----------------|--------------------------|
| Recreation District | | | | |
| Assets | | | | |
| Due from other funds | \$ - | \$ 21,746 | \$ - | \$ 21,746 |
| Taxes receivable (net) | 24,340 | 860,508 | 855,964 | 28,884 |
| | <u>24,340</u> | <u>860,508</u> | <u>855,964</u> | <u>28,884</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 24,340 | \$ 860,508 | \$ 834,218 | \$ 50,630 |
| | <u>24,340</u> | <u>860,508</u> | <u>834,218</u> | <u>50,630</u> |
| DUKE/FLUOR DANIEL ESCROW | | | | |
| Assets | | | | |
| Cash | \$ - | \$ 21,948 | \$ - | \$ 21,948 |
| | <u>-</u> | <u>21,948</u> | <u>-</u> | <u>21,948</u> |
| Liabilities | | | | |
| Due to component units | | | | |
| Due to other designated recipients | \$ - | \$ 21,948 | \$ - | \$ 21,948 |
| | <u>-</u> | <u>21,948</u> | <u>-</u> | <u>21,948</u> |
| 2016-CP-11-795 | | | | |
| Assets | | | | |
| Cash | \$ 11,187 | \$ 13 | \$ - | \$ 11,200 |
| | <u>11,187</u> | <u>13</u> | <u>-</u> | <u>11,200</u> |
| Liabilities | | | | |
| Due to component units | | | | |
| Due to other designated recipients | \$ 11,187 | \$ 13 | \$ - | \$ 11,200 |
| | <u>11,187</u> | <u>13</u> | <u>-</u> | <u>11,200</u> |
| CCCADA - Mini Bottle Tax | | | | |
| Assets | | | | |
| Cash | \$ 15,906 | \$ 69,637 | \$ 69,637 | \$ 15,906 |
| Other receivables | 30,467 | 53,029 | - | 83,496 |
| | <u>46,373</u> | <u>122,666</u> | <u>69,637</u> | <u>99,402</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 46,373 | \$ 122,666 | \$ 69,637 | \$ 99,402 |
| | <u>46,373</u> | <u>122,666</u> | <u>69,637</u> | <u>99,402</u> |
| Town of Blacksburg - Bonds | | | | |
| Assets | | | | |
| Cash | \$ - | \$ 55,570 | \$ 55,570 | \$ - |
| | <u>-</u> | <u>55,570</u> | <u>55,570</u> | <u>-</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ - | \$ 55,570 | \$ 55,570 | \$ - |
| | <u>-</u> | <u>55,570</u> | <u>55,570</u> | <u>-</u> |
| Town of Blacksburg | | | | |
| Assets | | | | |
| Taxes receivable (net) | \$ 26,366 | \$ 31,159 | \$ 28,156 | \$ 29,369 |
| | <u>26,366</u> | <u>31,159</u> | <u>28,156</u> | <u>29,369</u> |
| Liabilities | | | | |
| Due to other designated recipients | \$ 26,366 | \$ 31,159 | \$ 28,156 | \$ 29,369 |
| | <u>26,366</u> | <u>31,159</u> | <u>28,156</u> | <u>29,369</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY
 NET POSITION - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

Macedonia

| | | | | |
|------------------------|--------------|----------------|----------------|--------------|
| Due from other funds | \$ - | \$ 193,615 | \$ - | \$ 193,615 |
| Taxes receivable (net) | 4,439 | 196,145 | 193,615 | 6,969 |
| | <u>4,439</u> | <u>196,145</u> | <u>193,615</u> | <u>6,969</u> |

Liabilities

| | | | | |
|------------------------------------|--------------|----------------|----------|----------------|
| Due to other designated recipients | \$ 4,439 | \$ 196,145 | \$ - | \$ 200,584 |
| | <u>4,439</u> | <u>196,145</u> | <u>-</u> | <u>200,584</u> |

Total - All Agency Funds

Assets

| | | | | |
|------------------------|----------------------|-----------------------|-----------------------|----------------------|
| Cash | \$ 36,434,687 | \$ 117,986,976 | \$ 114,344,301 | \$ 40,077,362 |
| Other receivables | 30,467 | 53,029 | - | 83,496 |
| Due from other funds | - | 277,954 | - | 277,954 |
| Taxes receivable (net) | 1,344,722 | 3,785,002 | 3,629,943 | 1,499,781 |
| | <u>\$ 37,809,876</u> | <u>\$ 122,102,961</u> | <u>\$ 117,974,244</u> | <u>\$ 41,938,593</u> |

Liabilities

| | | | | |
|------------------------------------|----------------------|-----------------------|-----------------------|----------------------|
| Due to other designated recipients | \$ 37,809,876 | \$ 121,825,007 | \$ 117,696,290 | \$ 41,938,593 |
| | <u>\$ 37,809,876</u> | <u>\$ 121,825,007</u> | <u>\$ 117,696,290</u> | <u>\$ 41,938,593</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS - FIRE DISTRICTS
COMBINING BALANCE SHEET
JUNE 30, 2018

| | Buffalo Fire District | Antioch Fire District | Cherokee Creek Fire District | Corinth Fire District | Gaffney Area Fire District | CKC Fire District | Grassy Pond Fire District | DMW Fire District | Goucher White Plains Fire District | Totals |
|---------------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|-------------------------------|----------------------|------------------------------|----------------------|--|-------------------|
| Assets | | | | | | | | | | |
| Taxes receivable (net) | \$ 4,397 | \$ 2,504 | \$ 18,406 | \$ 3,087 | \$ 12,020 | \$ 4,979 | \$ 4,957 | \$ 1,965 | \$ 2,069 | \$ 54,384 |
| Due from other funds | 14,370 | 9,818 | 4,309 | 29,280 | 6,904 | 23,445 | 24,235 | 14,674 | 3,134 | 130,169 |
| | <u>\$ 18,767</u> | <u>\$ 12,322</u> | <u>\$ 22,715</u> | <u>\$ 32,367</u> | <u>\$ 18,924</u> | <u>\$ 28,424</u> | <u>\$ 29,192</u> | <u>\$ 16,639</u> | <u>\$ 5,203</u> | <u>\$ 184,553</u> |
| Deferred Inflows of Resources | | | | | | | | | | |
| Unavailable revenues - property taxes | 4,283 | 1,881 | 17,911 | 2,636 | 10,921 | 4,567 | 3,509 | 1,965 | 2,069 | 49,742 |
| Fund Balances | | | | | | | | | | |
| Fund balances | 14,484 | 10,441 | 4,804 | 29,731 | 8,003 | 23,857 | 25,683 | 14,674 | 3,134 | 134,811 |
| | <u>\$ 18,767</u> | <u>\$ 12,322</u> | <u>\$ 22,715</u> | <u>\$ 32,367</u> | <u>\$ 18,924</u> | <u>\$ 28,424</u> | <u>\$ 29,192</u> | <u>\$ 16,639</u> | <u>\$ 5,203</u> | <u>\$ 184,553</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUNDS - FIRE DISTRICTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

| | Buffalo Fire District | Antioch Fire District | Cherokee Creek Fire District | Corinth Fire District | Gaffney Area Fire District | CKC Fire District | Grassy Pond Fire District | DMW Fire District | Goucher White Plains Fire District | Totals |
|---|--------------------------|--------------------------|---------------------------------|--------------------------|-------------------------------|----------------------|------------------------------|----------------------|--|-------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 74,938 | \$ 106,143 | \$ 238,264 | \$ 92,415 | \$ 615,804 | \$ 87,013 | \$ 161,337 | \$ 67,041 | \$ 115,708 | \$ 1,558,663 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Public safety | 111,227 | 145,426 | 298,056 | 119,885 | 639,782 | 117,848 | 190,750 | 104,187 | 168,413 | 1,895,574 |
| Excess (Deficiency) of Revenues Over Expenditures | (36,289) | (39,283) | (59,792) | (27,470) | (23,978) | (30,835) | (29,413) | (37,146) | (52,705) | (336,911) |
| Other Financing Sources | | | | | | | | | | |
| Transfers in | 46,500 | 46,500 | 46,500 | 46,500 | 15,000 | 46,500 | 46,500 | 46,500 | 46,500 | 387,000 |
| Net Change in Fund Balance | 10,211 | 7,217 | (13,292) | 19,030 | (8,978) | 15,665 | 17,087 | 9,354 | (6,205) | 50,089 |
| Fund Balance - Beginning of Year | 4,273 | 3,224 | 18,096 | 10,701 | 16,981 | 8,192 | 8,596 | 5,320 | 9,339 | 84,722 |
| Fund Balance - End of Year | <u>\$ 14,484</u> | <u>\$ 10,441</u> | <u>\$ 4,804</u> | <u>\$ 29,731</u> | <u>\$ 8,003</u> | <u>\$ 23,857</u> | <u>\$ 25,683</u> | <u>\$ 14,674</u> | <u>\$ 3,134</u> | <u>\$ 134,811</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2018

| Function and Activity | Construction In Progress | Land | Buildings | Improvements Other than Buildings | Machinery and Equipment | Infrastructure | Books | Total |
|---------------------------|--------------------------------|---------------------|----------------------|---|----------------------------|----------------------|---------------------|----------------------|
| General government | \$ - | \$ 395,885 | \$ 12,785,064 | \$ 38,960 | \$ 3,327,476 | \$ 115,728 | \$ - | \$ 16,663,113 |
| Public safety | - | 254,958 | 9,724,052 | 23,332 | 7,473,272 | - | - | 17,475,614 |
| Transportation | - | - | 139,221 | - | 1,465,354 | 30,619,256 | - | 32,223,831 |
| Health and human services | - | 107,500 | 877,803 | 7,145 | 334,460 | - | - | 1,326,908 |
| Environmental and housing | - | 715,026 | 694,679 | 123,681 | 4,118,002 | - | - | 5,651,388 |
| Culture and recreation | - | 219,151 | 2,699,915 | 48,310 | 826,966 | - | 1,176,294 | 4,970,636 |
| Total | <u>\$ -</u> | <u>\$ 1,692,520</u> | <u>\$ 26,920,734</u> | <u>\$ 241,428</u> | <u>\$ 17,545,530</u> | <u>\$ 30,734,984</u> | <u>\$ 1,176,294</u> | <u>\$ 78,311,490</u> |

CHEROKEE COUNTY, SOUTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 JUNE 30, 2018

| Function and Activity | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---------------------------|--------------------------|---------------------|-------------------|--------------------------|
| General government | \$ 16,628,699 | \$ 34,414 | \$ - | \$ 16,663,113 |
| Public safety | 16,489,201 | 1,027,391 | 40,978 | 17,475,614 |
| Transportation | 32,281,562 | | 57,731 | 32,223,831 |
| Health and human services | 1,156,894 | 170,014 | | 1,326,908 |
| Environmental and housing | 5,851,885 | 33,873 | 234,370 | 5,651,388 |
| Culture and recreation | 4,944,701 | 130,372 | 104,437 | 4,970,636 |
| Total | <u>\$ 77,352,942</u> | <u>\$ 1,396,064</u> | <u>\$ 437,516</u> | <u>\$ 78,311,490</u> |
| Construction In Progress | <u>\$ 497,845</u> | <u>\$ -</u> | <u>\$ 497,845</u> | <u>\$ -</u> |



COMPLIANCE SECTION

**SUPPLEMENTARY INFORMATION REQUIRED
BY STATE OF SOUTH CAROLINA**

CHEROKEE COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
CLERK OF COURT AND MAGISTRATE COURT
JUNE 30, 2018

| | <u>Collections (2),(3)</u> | <u>Amount Remitted to County Treasurer</u> | <u>Amount Remitted to State Treasurer(1)</u> | <u>Amount Allocated to Victims' Services</u> |
|--|----------------------------|--|--|--|
| Clerk of Court: | | | | |
| Fines and Fees | \$ 362,335 | \$ 89,170 | \$ 273,165 | \$ - |
| Assessments | 23,259 | | 15,063 | 8,196 |
| Surcharges | 28,548 | | 13,119 | 15,429 |
| Pullouts | 686 | | 686 | - |
| Total | <u>\$ 414,828</u> | <u>\$ 89,170</u> | <u>\$ 302,033</u> | <u>\$ 23,625</u> |
| Magistrate Court: | | | | |
| Fines and Fees | \$ 719,841 | \$ 719,751 | \$ 90 | \$ - |
| Assessments | 528,611 | | 476,033 | 52,578 |
| Surcharges | 264,464 | | 246,224 | 18,240 |
| Pullouts | 21,363 | | 21,363 | - |
| Total | <u>\$ 1,534,279</u> | <u>\$ 719,751</u> | <u>\$ 743,710</u> | <u>\$ 70,818</u> |
| Victim Assistance: | | | | |
| Amount reserved for victim assistance, 6/30/17 | | | | \$ - |
| Plus: Amounts allocated for victim assistance, 7/1/17 - 6/30/18 | | | | |
| Assessments and surcharges | | | | 92,956 |
| Less: Amounts spent for victim assistance in fiscal year 2018 from | | | | |
| assessments and surcharges | | | | |
| Salaries and benefits - 2018 | | | | (92,956) |
| Balance reserved for victim assistance, 6/30/18 | | | | <u>\$ -</u> |

¹ Does not include payments forwarded for Public Defender of \$15,824.

² Does not include civil fees collected of \$148,662 retained by county treasurer.

³ Does not include Indigent Defense amounts of \$31,472 sent directly to Indigent Defense.