

DILLON COUNTY, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2022

WITH

INDEPENDENT AUDITORS' REPORT

DILLON COUNTY, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the County Administrator and County Council
Post Office Box 449
Dillon, South Carolina 29536

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the of Dillon County (the "County"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in *Note 1* to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement No. 87, Lease. Our opinion is not modified with respect to this matter.

Responsibility of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 41, the Schedule of South Carolina Retirement Systems Contributions on page 42, and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios on page 43, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements, the Schedule of Court Fines, Fees, Assessments and Surcharges, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 fund financial statements, the Schedule of Court Fines, Fees, Assessments and Surcharges and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina
May 9, 2023

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,323,004
Investments	6,062,006
Receivables, net of allowance	
Property taxes	502,512
Accounts receivable	3,804,415
Intergovernmental	118,010
Inventory	67,551
Right of use assets, net of accumulated amortization of \$36,831	462,924
Capital Assets:	
Non-depreciable	1,869,441
Depreciable	19,678,178
Total assets	<u>37,888,041</u>
Deferred outflows of resources	
Pension expenses and contributions	1,052,572
OPEB expenses and contributions	1,567,136
Total deferred outflows of resources	<u>2,619,708</u>
Total assets and deferred outflows of resources	<u>40,507,749</u>
Liabilities	
Accounts payable	604,160
Accrued expenses	565,860
Accrued interest	20,004
Due to custodial fund	260,807
Due to other governments	764
Unearned revenue	2,970,618
Compensated absences	483,765
Long-term liabilities:	
Due within one year	1,597,050
Due in more than one year	6,307,495
Lease liability	464,960
Net pension liability	17,005,216
Net OPEB liability	6,779,836
Total liabilities	<u>37,060,535</u>
Deferred inflows of resources	
Related to pensions	259,814
Related to OPEB	698,939
Total deferred inflows of resources	<u>958,753</u>
Total liabilities and deferred inflows of resources	<u>38,019,288</u>
Net position	
Net investment in capital assets	13,643,074
Restricted - nonspendable	67,551
Restricted - spendable	1,656,251
Unrestricted - unfunded pension liability	(16,212,458)
Unrestricted- unfunded OPEB liability	(5,911,639)
Unrestricted - other	9,245,682
Total net position	<u><u>\$ 2,488,461</u></u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government administration	\$ 6,700,213	\$ 10,566,068	\$ 1,443,765	\$ 5,309,620
Administration of justice	1,490,314	-	-	(1,490,314)
Public safety and law enforcement	11,175,728	2,937,628	-	(8,238,100)
Public works	4,396,691	-	-	(4,396,691)
Sanitation	2,917,359	-	-	(2,917,359)
Economic development	1,440,456	-	-	(1,440,456)
Social services, health and welfare	266,583	-	-	(266,583)
Culture and recreation	868,438	-	-	(868,438)
Interest	127,485	-	-	(127,485)
Total governmental activities	<u>\$ 29,383,267</u>	<u>\$ 13,503,696</u>	<u>\$ 1,443,765</u>	<u>(14,435,806)</u>
General revenues and transfers				
General revenues:				
Property taxes				9,817,288
Local options taxes				3,397,443
Hospitality taxes				284,739
Insurance proceeds				25,440
Other				612,911
Interest				25,063
Total general revenues				<u>14,162,884</u>
Change in net position				(272,922)
Net Position, beginning of year				<u>2,761,383</u>
Net Position, end of year				<u>\$ 2,488,461</u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	General	ARPA Fund	Non-major Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,323,004	\$ -	\$ -	\$ 5,323,004
Investments	5,860,932	-	201,074	6,062,006
Receivables:				
Property taxes	438,388	-	64,124	502,512
Accounts	3,681,569	-	122,846	3,804,415
Intergovernmental	-	-	118,010	118,010
Inventory	67,551	-	-	67,551
Due from other funds	1,066,422	1,516,329	3,487,061	6,069,812
Total assets	<u>\$ 16,437,866</u>	<u>\$ 1,516,329</u>	<u>\$ 3,993,115</u>	<u>\$ 21,947,310</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 520,159	\$ -	\$ 84,003	\$ 604,162
Accrued salaries	540,151	-	25,709	565,860
Unearned revenue	1,130,329	1,516,329	298,960	2,945,618
Due to other governments	764	-	-	764
Due to other funds	4,457,592	-	1,873,025	6,330,617
Total liabilities	<u>6,648,995</u>	<u>1,516,329</u>	<u>2,281,697</u>	<u>10,447,021</u>
Deferred inflows of resources:				
Property taxes	642,847	-	44,422	687,269
Grants and fees	294,697	-	10,744	305,441
Total deferred inflows of resources	<u>937,544</u>	<u>-</u>	<u>55,166</u>	<u>992,710</u>
Total liabilities and deferred inflows of resources	<u>7,586,539</u>	<u>1,516,329</u>	<u>2,336,863</u>	<u>11,439,731</u>
Fund balances:				
Nonspendable	67,551	-	-	67,551
Restricted	-	-	480,332	480,332
Assigned	-	-	1,175,920	1,175,920
Unassigned	8,783,776	-	-	8,783,776
Total fund balances	<u>8,851,327</u>	<u>-</u>	<u>1,656,252</u>	<u>10,507,579</u>
Total liabilities and fund balances	<u>\$ 16,437,866</u>	<u>\$ 1,516,329</u>	<u>\$ 3,993,115</u>	<u>\$ 21,947,310</u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

Fund balances - total governmental funds \$ 10,507,579

Amounts reported for governmental activities in the Statement of Net Position
are different due to the following:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds.

Capital assets, cost	\$ 72,114,258	
Accumulated depreciation	<u>(50,566,639)</u>	
		21,547,619

Right of use assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Capital assets, cost	\$ 499,755	
Accumulated depreciation	<u>(36,831)</u>	
		462,924

Multi-year service contracts for victims' assistance are recognized as revenue
when received in the funds, but deferred and amortized over the period of
the agreement in the statement of net position (25,000)

Because some property taxes and grants and fees will not be collected for several
months after year-end, they are not considered as "available revenues" in the
governmental funds:

Property taxes		687,269
Grants and fees		305,441

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported as liabilities in the governmental funds balance sheet.

Compensated absences payable		(483,765)
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Some liabilities, including net pension and net OPEB obligations, are not due
and payable in the current period and, therefore, are not reported as liabilities
in the governmental funds balance sheet. Long-term liabilities
consist of the following:

Accrued interest	(20,004)	
General obligations bonds payable	(3,430,970)	
Revenue bonds	(893,446)	
Operating leases payable	(464,960)	
Landfill closure and post closure costs	(3,580,129)	
Net pension liability	(17,005,216)	
OPEB obligation	<u>(6,779,836)</u>	
		(32,174,561)

Deferred outflows and inflows or resources related to pension and OPEB are
applicable to future periods and therefore are not reported in the funds.

Deferred outflows of resources related to pensions	1,052,572	
Deferred inflows of resources related to pensions	(259,814)	
Deferred outflows of resources related to OPEB	1,567,136	
Deferred inflows of resources related to OPEB	<u>(698,939)</u>	
		<u>1,660,955</u>

Net position of governmental activities		<u><u>\$ 2,488,461</u></u>
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See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	General	ARPA Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Taxes				
Ad valorem taxes	\$ 8,390,772	\$ -	\$ 1,697,040	\$ 10,087,812
Local options taxes	3,397,443	-	-	3,397,443
Hospitality taxes	284,739	-	-	284,739
License and permits	7,210	-	-	7,210
Intergovernmental revenue	2,960,240	-	2,967,257	5,927,497
Service revenue and charges	4,631,361	-	-	4,631,361
Fines and fees	2,803,202	-	134,426	2,937,628
Grants	-	1,443,765	-	1,443,765
Miscellaneous revenues	547,911	-	65,000	612,911
Interest income	23,172	-	1,891	25,063
Total revenues	<u>23,046,050</u>	<u>1,443,765</u>	<u>4,865,614</u>	<u>29,355,429</u>
Expenditures				
General government administration	4,735,363	1,091,337	2,305	5,829,005
Administration of justice	1,355,380	-	2,877	1,358,257
Public safety and law enforcement	9,448,143	-	793,089	10,207,932
Public works	846,344	-	2,479,342	3,325,686
Sanitation	2,518,767	-	-	2,518,767
Economic development	470,500	-	894,998	1,365,498
Social services, health and welfare	187,694	-	-	187,694
Culture and recreation	724,601	-	-	724,601
Capital outlay	836,757	352,428	824,393	2,013,578
Debt Service				
Principle retirement	133,106	-	1,931,548	2,097,954
Interest and fiscal charges	-	-	109,925	109,925
Total expenditures	<u>21,256,655</u>	<u>1,443,765</u>	<u>7,038,477</u>	<u>29,738,897</u>
Excess (Deficit) of revenues over expenditures	<u>1,789,395</u>	<u>-</u>	<u>(2,172,863)</u>	<u>(383,468)</u>
Other financing sources				
General obligation bonds issued	-	-	1,200,000	1,200,000
Insurance proceeds	25,440	-	-	25,440
Net change in fund balance	1,814,835	-	(972,863)	841,972
Fund balance, beginning of year	7,036,492	-	2,629,115	9,665,607
Fund balance, end of year	<u>\$ 8,851,327</u>	<u>\$ -</u>	<u>\$ 1,656,252</u>	<u>\$ 10,507,579</u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Net change in fund balance - total governmental funds \$ 841,970

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense in the period.

Acquisition of capital assets	\$ 2,362,786	
Depreciation	(2,384,029)	
Net change in capital assets		(21,243)

Operating leases for vehicles are reported in governmental funds as expenditures.

However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual amortization expenses in the statement of activities. This is the amount by which operating leases exceeded amortization expense in the period.

Right of use assets	\$ 499,755	
Amortization	(36,831)	
Net change in capital assets		462,924

Repayment of debt decreases long-term liabilities in the Statement of Activities.

Bond payments	1,540,638	
Loans payable	165,780	
Capital Lease liability	225,130	
Operating Lease liability	34,795	
Landfill closure/postclosure costs	131,611	
		2,097,954

Issuance of long-term debt provides current financial resources to governmental funds:

Bond proceeds	(1,200,000)	
Lease liability	(499,755)	
Landfill closure/postclosure costs	(465,589)	
		(2,165,344)

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

Unavailable revenue - property taxes	222,733	
Unavailable revenue - grants and fees	(493,257)	
Unavailable revenue - Lake View victims assistance	8,333	
		(262,191)

Increase in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.

(16,719)

Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.

6,039

Change in deferred outflows (inflows) of resources (net) and net pension liability is included in the governmental activities in the Statement of Assets.

(782,791)

Change in deferred outflows (inflows) of resources (net) and OPEB liability is included in the governmental activities in the Statement of Assets.

(433,521)

\$ (272,922)

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 7,755,000	\$ 7,755,000	\$ 8,390,772	\$ 635,772
Local options taxes	2,170,338	2,170,338	3,397,443	1,227,105
Hospitality taxes	275,000	275,000.00	284,739	9,739
License and permits	5,500	5,500	7,210	1,710
Intergovernmental revenue	2,282,872	2,282,872	2,960,240	677,368
Service revenue and charges	4,694,323	4,694,323	4,631,361	(62,962)
Fines and fees	2,277,080	2,277,080	2,803,202	526,122
Miscellaneous revenues	193,500	193,500	547,911	354,411
Interest income	6,000	6,000	23,172	17,172
Total revenues	19,659,613	19,659,613	23,046,050	3,386,437
Expenditures				
General government administration	4,430,448	4,430,448	4,735,363	(304,915)
Administration of justice	1,335,567	1,335,567	1,355,380	(19,813)
Public safety and law enforcement	8,960,233	8,960,233	9,448,143	(487,910)
Public works	1,054,236	1,054,236	846,344	207,892
Sanitation	2,350,260	2,350,260	2,518,767	(168,507)
Economic development	469,955	469,955	470,500	(545)
Social services, health and welfare	214,683	214,683	187,694	26,989
Culture and recreation	742,102	742,102	724,601	17,501
Capital outlay	1,000,000	1,000,000	836,757	163,243
Debt Service				
Principle retirement	102,129	102,129	133,106	(30,977)
Total expenditures	20,659,613	20,659,613	21,256,655	(597,042)
Excess (deficit) of revenues over (under) expenditures	(1,000,000)	(1,000,000)	1,789,395	2,789,395
Other financing sources				
General obligation bonds issued	1,000,000	1,000,000	-	(1,000,000)
Insurance proceeds	-	-	25,440	25,440
	1,000,000	1,000,000	25,440	(974,560)
Net change in fund balance	\$ -	\$ -	1,814,835	\$ 1,814,835
Fund balance, beginning of year			7,036,492	
Fund balance, end of year			\$ 8,851,327	

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

JUNE 30, 2022

Assets

Cash	\$ 20,444,564
Investments	6,321,647
Due from other funds	260,807
Total assets	<u>27,027,018</u>

Liability

Accounts payable	<u>322,556</u>
Total liabilities	<u>322,556</u>

Net Position

Restricted	26,704,462
Total Net Position	<u><u>\$ 26,704,462</u></u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUNDS

JUNE 30, 2022

Additions

Tax and related revenues	\$ 11,421,858
Other school district funding	62,437,485
Fines, fees, and bonds	1,746,382
Inmate funds	267,965
Investments earnings	26,125
Total revenues	<u>75,899,815</u>

Deductions

Tax and related revenues distributed	11,421,858
Other school district funds distributed	57,767,701
Fines, fees, and bonds distributed per court order or state law	1,895,044
Inmate funds disbursed	285,230
Total expenditures	<u>71,369,833</u>

Net change in fund balance	4,529,982
Net position, beginning of year	22,174,480
Net position, ending	<u><u>\$ 26,704,462</u></u>

See accompanying notes.

DILLON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

1. Summary of Significant Accounting Policies

Dillon County, South Carolina (the “County”) is a political subdivision of the State of South Carolina. The County operates under a Council-Administrator form of government and is governed by an elected seven-member council, one of whom is the chair. The Council is the legislative body of the County and is responsible for determining the policies and direction of the County government. The administrator is responsible for the County’s daily operations.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 County’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds also use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and entitlements. On an accrual basis, revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The County classifies as general revenues all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the County’s funds, including its governmental funds and fiduciary funds. The County presents separate statements for each fund category-governmental and proprietary.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The County's funds are classified into two categories – governmental and custodial.

Governmental Funds

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

ARPA Fund – The ARPA Fund is used to account for the proceeds of American Rescue Plan money that are legally restricted to expenditures for specified purposes.

Debt Service – The Debt Service Fund is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

Custodial Funds

Custodial Fund – The fiduciary fund is a custodial fund used to account for monies received, held and disbursed on behalf of other governments, special tax districts and certain county departments related to the collection of taxes, court related transactions and detention center inmates trust funds.

Accrual Basis

The County uses the accrual basis of accounting in reporting its government-wide financial statements. Under the accrual basis, the County generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The County recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Modified Accrual Basis

The County uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual—that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the County conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has reported the following major governmental funds:

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

ARPA Fund - ARPA Funds are used to account for the proceeds of specific grant sources that are legally restricted to expenditures for specified purposes.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the County considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

Inventory

Inventories are valued at lower of cost or market using the first-in/first-out method. The consumptions method of accounting for inventories is used. Under this method, inventories are expensed as they are consumed. Inventories in the general fund consist of fuel, cleaning supplies, and postage.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Revenue is recognized in the governmental fund as cash is received

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances.”

Property Tax Calendar

Property is valued for taxation at December 31 of the prior fiscal year with the tax bills being due between September 30 and January 15 of the current fiscal year. Unpaid taxes are assessed a 3% penalty during the period January 16 to February 1, an additional 7% penalty is assessed February 2 to March 16, and a further 5% is assessed for tax bills unpaid after March 16. South Carolina law attaches a lien on the property at the December 31 valuation date. The County Treasurer transfers the delinquent tax accounts to the delinquent tax collector after March 17 for collection efforts as prescribed by state law.

Motor vehicle taxes are billed annually to coincide with the vehicles registration month and are due by the last day of that month.

Real property taxes billed but not collected within 60 days of year end are reflected in the governmental fund balance sheet as taxes receivable and unavailable revenue.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Additions to capital assets are recorded at cost at the time of purchase. Gifts or contributions are recorded at fair market value at the time received.

The County maintains a \$5,000 threshold for additions to equipment. Buildings are capitalized when the value is \$50,000 or greater. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	15 - 50
Machinery and equipment	5 - 10
Infrastructure	10 - 20
Vehicles	5 - 10

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

County employees may accumulate up to 240 hours of unused vacation and carry it forward from one year to the next. Employees separating from service are paid their regular pay rate for accrued and unused leave. Employees may accumulate sick leave, but the County does not pay employees separating from service for unused sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability is reported in governmental funds only when they mature because an employee resigns or retires.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. There are a number of limitations and restrictions in the County's debt instruments. The County is in compliance with all significant limitations and restrictions.

Capitalized Interest

The County does not capitalize interest on capitalized assets used in governmental activities.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report 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 currently reports deferred outflows of resources in the amount of \$2,619,708 as of June 30, 2022. In addition to liabilities, the statement of net position will sometimes report 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 that time. The County currently reports deferred inflows of resources in the amount of \$958,753 as of June 30, 2022.

Other Postemployment Benefits

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Other Retirement Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Net Position/Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position – Consists of Net Position with constraints place on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other Net Positions that do not meet the definitions of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed. Fund balance is reported as assigned if the fund balance is constrained by the government’s intent to use the funds for a specific purpose. The County reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

Nonspendable fund balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted fund balance - The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Committed fund balance - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The County recognizes committed fund balances that have been approved for specific purposes by County Council before the fiscal year end.

Assigned fund balance - The assigned fund balance classification includes amounts that are constrained by the County's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the County's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Council's highest level of authority. Assigned fund balance amounts in the Council's financial statements represent amounts approved by Council Council to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes.

Unassigned fund balance - The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The Council's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Unearned Revenues

The County also defers revenue recognition in connection with resources such as grants that have been billed or received but not yet earned.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS), and additions to and/or deductions from SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows related to OPEB, and OPEB expense, information about the fiduciary net position of the County's OPEB plan and additions to/deductions from the plans fiduciary have been determined based on an actuarial study performed in accordance with the guidance provided by GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable

New Accounting Pronouncements

During the year ended June 30, 2022, the County adopted the requirements of GASB 87: Lease (the "Statement"). Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For more information on the implementation of the Statement, see *Note 8*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Legal Compliance - Budgets

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, Water and Sewer Enterprise Fund, and Refuse Enterprise Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the County Council.

General Fund actual revenues exceeded budgeted revenue by \$3,386,437. General Fund actual expenditures exceeded budgeted expenditures by \$597,042.

3. Deposits

At June 30, 2022, the carrying amount of the County's unrestricted and restricted deposits totaled \$25,767,568 and the bank balance was \$26,082,548 all of which was covered by federal depository insurance (FDIC) or the National Credit Union Share Insurance Fund, or was collateralized with securities held by the financial institutions in the County's name, and other securities provided by financial institutions.

4. Investments

State statutes authorize the County to invest in obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the federal government, certificates of deposit where the certificates are collaterally secured by securities of the type described above, or deposit accounts with banking institutions. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The County is under no contractual agreements that restrict investment alternatives.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. Investments (continued)

At June 30, 2022, the County's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$12,383,653. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not to exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP and certificates of deposit are classified as cash and cash equivalents.

5. Receivables

Receivables as of year-end for the County's governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-Major Funds	Total
Accounts receivable:			
Ad valorem, sales and franchise	\$ 518,360	\$ 74,451	\$ 592,811
Accounts receivable	11,526,416	122,846	11,649,262
Intergovernmental	-	118,010	118,010
Gross receivables	12,044,776	315,307	12,360,083
Less, allowance for uncollectibles	(7,924,819)	(10,327)	(7,935,146)
Net receivables	<u>\$ 4,119,957</u>	<u>\$ 304,980</u>	<u>\$ 4,424,937</u>

6. Interfund Receivable/Payables

Interfund balances arise because the County utilizes a cash pool to maximize potential interest earnings. Interfund balances at June 30, 2022 were:

	Due To Other Funds	Due From Other Funds	Total
General fund	\$ 1,066,422	\$ (4,457,592)	\$ (3,391,170)
ARPA fund	1,516,329	-	1,516,329
Non-major governmental funds	3,291,463	(1,677,429)	1,614,034
Fiduciary	260,807	-	260,807
Net receivables	<u>\$ 6,135,021</u>	<u>\$ (6,135,021)</u>	<u>\$ -</u>

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,501,402	\$ 7,015	\$ -	\$ 1,508,417
Construction in progress	77,372	283,652	-	361,024
Total capital assets, not being depreciated	<u>1,578,774</u>	<u>290,667</u>	<u>-</u>	<u>1,869,441</u>
Capital assets, being depreciated				
Building and improvements	33,790,110	-	-	33,790,110
Heavy equipment and vehicles	11,102,459	515,998	-	11,618,457
Equipment and furnishings	7,317,653	1,517,247	-	8,834,900
Library collection	370,966	38,874	-	409,840
Infrastructure	15,591,510	-	-	15,591,510
Total capital assets, being depreciated	<u>68,172,698</u>	<u>2,072,119</u>	<u>-</u>	<u>70,244,817</u>
Less accumulated depreciation for:				
Building and improvements	(24,433,240)	(858,084)	-	(25,291,324)
Heavy equipment and vehicles	(9,385,007)	(525,449)	-	(9,910,456)
Equipment and furnishings	(6,019,703)	(346,972)	-	(6,366,675)
Library collection	(198,190)	(69,690)	-	(267,880)
Infrastructure	(8,146,470)	(583,834)	-	(8,730,304)
Total accumulated depreciation	<u>(48,182,610)</u>	<u>(2,384,029)</u>	<u>-</u>	<u>(50,566,639)</u>
Total capital assets, being depreciated, net	<u>19,990,088</u>	<u>(311,910)</u>	<u>-</u>	<u>19,678,178</u>
Governmental activities capital assets, net	<u>\$ 21,568,862</u>	<u>\$ (21,243)</u>	<u>\$ -</u>	<u>\$ 21,547,619</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 516,147
Administrative of justice	1,086
Public safety and law enforcement	770,208
Public works	584,415
Sanitation	277,521
Economic development	71,444
Social services, health and welfare	71,018
Culture and recreation	92,190
Total depreciation - governmental activities	<u>\$ 2,384,029</u>

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt

General Obligation Bonds

The County has issued general obligation bonds to provide for construction and purchase of capital assets used in carrying out its governmental activities. General obligation bonds are direct obligations of the County, and the full faith and credit of the County are pledged as security. Article X, Section 14 of the Constitution of the State of South Carolina, 1895, permits the counties to issue general obligation indebtedness in an amount not exceeding eight percent of the assessed value of taxable property of said county without a referendum of voters' approving the issuance.

The County has the following general obligation bonds outstanding as of June 30, 2022:

General Obligation Bonds

\$1,400,000, Series 2016, payable in annual installments of \$214,830 including interest at 1.83%, maturing April 2023.	\$ 210,970
\$1,000,000, Series 2019, payable in annual installments varying from \$18,106 to \$505,661 including interest at 2.13%, maturing April 2024.	970,000
\$1,200,000, Series 2020, payable in annual installments varying from \$5,1443 to \$256,680 including interest at 1.39%, maturing April 2027.	1,200,000
\$1,200,000, Series 2022, payable in annual installments varying from \$5,1443 to \$256,680 including interest at 1.33%, maturing April 2026.	<u>1,050,000</u>
Total general obligation bonds for governmental activities	<u><u>\$ 3,430,970</u></u>

Debt service requirements to maturity of the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,285,970	\$ 55,167	\$ 1,341,137
2024	960,000	32,985	992,985
2025	475,000	16,192	491,192
2026	470,000	9,731	479,731
2027	240,000	3,336	243,336
	<u>\$ 3,430,970</u>	<u>\$ 117,411</u>	<u>\$ 3,548,381</u>

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Special Source Revenue Bonds

The County issues special source revenue bonds to finance construction of infrastructure in an industrial park and at a commercial site. The County has pledged income from fees in lieu of taxes derived from the acquired or constructed assets to pay debt service. The revenue bonds are liquidated by the debt service fund. Special source revenue bonds outstanding at year end were as follows:

Revenue Bonds

Series 2018A bonds - due in annual installments beginning in 2019 and concluding in 2027; interest at 2.51%	\$ 372,791
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Series 2018B bonds - due in annual installments beginning in 2019 and concluding in 2047; interest at 2.00% to 4.00%	520,655
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Total revenue bonds for business type activities	<u><u>\$ 893,446</u></u>
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Debt service requirements to maturity for the revenue bonds are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 169,941	\$ 22,425	\$ 192,366
2024	174,207	18,160	192,367
2025	178,579	13,788	192,367
2026	183,062	9,306	192,368
2027	187,657	4,710	192,367
	<u><u>\$ 893,446</u></u>	<u><u>\$ 68,389</u></u>	<u><u>\$ 961,835</u></u>

Landfill Closure and Post Closure Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. In accordance with state law, the County closed its municipal solid waste landfills in fiscal year 2013. The County closed its industrial waste landfill in 2019. The county continues to operate its C&D landfill which management estimates to be at 60% of capacity as of year-end. Capacity is being increased by going vertical.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Although closure and postclosure care costs are paid only near or after the date that landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet. The \$3,580,129 reported as the accrual for landfill closure and postclosure costs as June 30, 2022, is calculated as follows:

	Percentage of Capacity Used	Estimated Liability Recognized			Balance to be Recognized
		Closure	Postclosure	Total	
Municipal Solid Waste	100%	\$ -	\$ 1,422,180	\$ 1,422,180	\$ -
Industrial Waste	100%	-	1,149,984	1,149,984	-
Class II	60%	613,747	394,218	1,007,965	671,977
		<u>\$ 613,747</u>	<u>\$ 2,966,382</u>	<u>\$ 3,580,129</u>	<u>\$ 671,977</u>

The County's landfill closure and post-closure liability represents what it would cost to perform all closure and post-closure care at June 30, 2022, and are based on engineering estimates subject to change due to inflation, deflation, technology, and/or applicable laws and regulations. Federal and state statutes and regulations require that all permitted landfills, have a financial assurance mechanism in place to ensure that funds are available for clean-up of the facility at the time of closure to cover a post-closure care that may be required. The County does not qualify for the financial or alternative means tests to satisfy federal and state financial assurance requirements. The County has adopted a pay-as-you-go policy, anticipating that future available resources will be the primary source of funds to pay the cost of closure and post-closure care. During fiscal year 2022 the County expended \$333,978 in landfill closure and post-closure costs.

Operating Leases

The County entered into multiple operating lease agreements for vehicles from Enterprise. The County is to make sixty payments in amount between \$606 - 842 monthly. As of June 30, 2022, the total amount of the right to use lease asset, and the related amortization, disclosed separately from other capital assets is as follows:

	Beginning Balance	Additions	Deduction	Ending Balance
Leased vehicles being amortized	\$ -	\$ 499,755	\$ -	\$ 499,755
Leased vehicles accumulated amortization	-	(36,831)	-	(36,831)
Total, net accumulated amortization	<u>\$ -</u>	<u>\$ 462,924</u>	<u>\$ -</u>	<u>\$ 462,924</u>

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Operating Leases (continued)

The principal and interest requirements to maturity for the lease liability is as follow:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 90,379	\$ 24,438	\$ 114,817
2024	95,315	19,502	114,817
2025	100,921	13,896	114,817
2026	106,897	7,921	114,818
2027	71,448	1,918	73,366
	<u>\$ 464,960</u>	<u>\$ 67,675</u>	<u>\$ 532,635</u>

Changes in long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds payable	\$ 3,771,608	\$ 1,200,000	\$ (1,540,638)	\$ 3,430,970	\$ 1,285,970
Special source revenue bond	1,059,226	-	(165,780)	893,446	169,941
Capital leases	225,130	-	(225,130)	-	-
Operating leases	-	499,755	(34,795)	464,960	90,379
Landfill closure and post-closure costs	3,246,151	465,589	(131,611)	3,580,129	141,139
Compensated absences	467,046	483,765	(467,046)	483,765	483,765
Total, governmental activities	<u>\$ 8,769,161</u>	<u>\$ 2,649,109</u>	<u>\$ (2,565,000)</u>	<u>\$ 8,853,270</u>	<u>\$ 2,171,194</u>

9. Pension Plan

South Carolina Retirement System

The majority of employees of the County are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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9. Pension Plan (continued)

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Annual Comprehensive Financial Report (ACFR) which includes financial statements and required supplementary information. A copy of the separately issued ACFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's ACFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012, are considered Class III members and are eligible for a full-service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

Effective July 1, 2021, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 15.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41% and 0.15% contribution rate for the incidental death program. The County's actual contributions to the SCRS for the years ended June 30, 2022, 2021 and 2020 were approximately \$902,999, \$804,346, and \$791,801, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 16.56% for 2022, 15.56% for 2021, and 15.56% for 2020.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firefighters killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full-service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full-service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

Effective July 1, 2021, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 19.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 18.84% and .20% for the incidental death program. The Town's actual contributions to the PORS for the years ended June 30, 2022, 2021 and 2020 were approximately \$591,965, \$518,245, and \$515,449, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 19.04% for 2022, 18.04% for 2021, and 18.04% for 2020.

The amounts paid by the Town for pension and incidental death benefit program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2022, the County reported \$11,092,921 and \$5,912,295 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2022, actuarial valuations, using most recent membership data, projected forward to June 30, 2022, and financial information of the pension trust funds as of June 30, 2022, using generally accepted actuarial procedures. The County's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Town's SCRS proportion was 0.045759% and its PORS proportion was 0.197144%.

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

At June 30, 2022, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 96,377	\$ 99,196
Assumption changes	355,776	246,197
Net difference between project and actual investment earnings	17,108	17,854
Differences between employer contributions and proportionate share	25,262	194,802
Total deferred outflows of resources	<u>494,523</u>	<u>558,049</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	48,343	116,876
Differences between employer contributions and proportionate share	22,065	72,530
Total deferred inflows of resources	<u>70,408</u>	<u>189,406</u>
Net deferred outflows/(inflows)	<u>\$ 424,115</u>	<u>\$ 368,643</u>

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

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2023	\$ (237,005)	\$ (140,514)	\$ (377,519)
2024	(159,006)	(151,609)	(310,615)
2025	261,193	153,289	414,482
2026	(289,297)	(229,809)	(519,106)
	<u>\$ (424,115)</u>	<u>\$ (368,643)</u>	<u>\$ (792,758)</u>

The total pension liabilities in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.00%	7.00%
Projected Salary Increases	3.0% to 11.0%	3.5% to 10.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from year 2020. Assumption used in the determination of the June 30, 2022, SCRS and PORS valuations are as follows:

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

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.79%	3.12%
Bonds	26.00%	-0.35%	-0.09%
Private Equity	9.00%	8.75%	0.79%
Privat Debt	7.00%	6.00%	0.42%
Real Assets	12.00%		
Real Estate	9.00%	4.12%	0.37%
Infrastructure	3.00%	5.88%	0.18%
Total Expected Return	100.00%		4.79%
Inflation for Actuarial Purposes			2.25%
			<u>7.04%</u>

The discount rate used to measure the total pension liability (TPL) was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

The following table represents the County's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.00 percent, as well as what the County's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Plan	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
SCRS	\$ 14,222,493	\$ 11,092,921	\$ 8,491,088
PORS	8,244,339	5,912,295	4,003,297
	<u>\$ 22,466,832</u>	<u>\$ 17,005,216</u>	<u>\$ 12,494,385</u>

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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10. Postemployment Benefits Other than Pensions

Plan Description

The County's defined benefit OPEB plan, Dillon County Retiree Benefits Plan, is a healthcare plan that covers eligible employees of the County.

Eligibility

Employees with 28 consecutive years of service covered by the South Carolina Retirement System, employees with 25 consecutive years of service covered by the Police Officers Retirement System, and County Council members with 12 years of service are eligible to be covered under this plan. Benefits are effective at the employee's date of retirement or when the employee is eligible for retirement benefits. Among other provisions, qualifying employees are eligible to receive continuing health insurance coverage with the County paying 100% of the employer's portion of the retiree only insurance premiums. The balance is paid by the retired employee. Early retirees are eligible to participate in the plan at their own expense. The County's regular insurance providers underwrite the retirees' policies.

The County contributions are neither guaranteed nor mandatory. The Council has retained the right to modify its payments for retiree health care benefits. The plan does not issue separate financial statements.

At the June 30, 2021, measurement date, the following table depicts a summary of plan participants:

Inactive employees or beneficiaries currently receiving benefit payments	26
Active employees	208
Total plan members	<u>234</u>

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

DILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Assumptions and Methods (continued)

Valuation Date	June 30, 2020
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	1.92% as of June 30, 2021
Inflation	2.25%
Salary Increases	3.00% to 9.50% for SCRS and 3.50% to 10.50% for PORS, including inflation
Demographic Assumptions	Based on the experience study covering the five-year period ending June 30, 2019 as conducted for the South Carolina Retirement Systems (SCRS).
Mortality	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with the following multipliers applied to the base tables: 97% for male SCRS members, 107% for female SCRS members, 127% for male PORS members, and 107% for female PORS members. The rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Terend Rates	Initial rate of 6.00% declining to an ulitmate rate of 4.00% after 15 years.
Participation Rates	85% for retirees who are eligible for the County subsidy and retire prior to age 65; 100% for retirees who are eligible for the County subsidy and retire at age 65 or later; 10% for retirees who are not eligible for the County subsidy and retire prior to age 65.
Other Information	
Notes	The discount rate changed from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021. Additionally, the demographic assumptions were updated to reflect the 2020 SCRS experience study.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Assumptions and Methods (continued)

Demographic Assumptions are based on the experience study performed for the South Carolina Retirement System for the 5 – year period ended June 30, 2019.

Funding Policy

The plan was established and may be amended by County Council. The County currently finances the plan on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4. The benefit payments during the measurement period were determined as follows:

Explicit benefit payments	\$ 116,660
Implicit benefit payments	25,082
Total benefit payments	<u>\$ 141,742</u>

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2020	<u>\$ 5,653,575</u>
Changes for the year:	
Service cost	339,629
Interest on the total OPEB liability	140,937
Difference between expected and actual experience of the total OPEB liability	33,987
Changes of assumption	753,450
Benefit payments	(141,742)
Net changes	<u>1,126,261</u>
Balance at June 30, 2021	<u><u>\$ 6,779,836</u></u>
 Covered-employee payroll	 \$ 8,426,823
Total OPEB liability as a percentage of covered-employee payroll	 80.46%

Changes of assumptions reflect a change in the discount rate from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021 and revised SCRS demographic assumptions.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Sensitivity of Total OPEB liability to Health Care Cost Trend Rates

The following presents the plan's total OPEB liability calculated using the current healthcare cost trend rate % as well as what the OPEB liability would be if it was calculated using a trend rate that is 1-percentage-point lower or 1-percentagepoint higher (2.92 percent):

1% Decrease 0.92%	Current Healthcare Cost Trend Rate Assumption 1.92%	1% Increase 2.92%
\$ 5,604,459	\$ 6,779,836	\$ 8,361,935

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the plan's total OPEB liability, calculated using a discount rate of 1.92%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentagepoint higher (2.92 percent):

1% Decrease 0.92%	Current Discount Rate Assumption 1.92%	1% Increase 2.92%
\$ 8,105,675	\$ 6,779,836	\$ 5,737,289

Deferred inflows of resources and deferred outflows of resources

For the year ended June 30, 2022, the County recognized OPEB expense of \$433,521. At June 30, 2021, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55,949	\$ 536,250
Changes in assumptions	1,368,533	162,689
Contributions subsequent to the measurement date	142,654	-
Total	<u>\$ 1,567,136</u>	<u>\$ 698,939</u>

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ended June 30,	Net Deferred Outflows/(Inflows)
2023	\$ 95,609
2024	95,609
2025	95,609
2026	116,902
2027	136,154
Thereafter	185,660
Total	<u>\$ 725,543</u>

11. 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 job-related illnesses and accidents. The County carries insurance for these risks of loss. Premiums for workers' compensation are paid to a public entity risk pool. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

The County is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The County has enrolled substantially all its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board.

DIILON COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

12. Tax Abatement

The State of South Carolina has enacted Fee-in-Lieu of Tax Acts and Special Source Revenue Credit Acts as part of Title 12 of the South Carolina Code of Laws in support of economic development. The legislation allows the County to enter into negotiated fee-in-lieu of property tax ("FILOT") arrangements with entities in exchange for making investments in facilities and jobs in the County. The County can recapture abated property taxes if investment targets are not met. The FILOT's typically include millage caps and reduced assessment ratios for entities who commit to certain investment and employment targets. Some FILOT's also include Special Source Revenue Credits which further reduce the negotiated fee by a percentage for some time period. As of June 30, 2022, the County has thirteen entities with active FILOT's which resulted in a net tax abatement of approximately \$4.9 million.

13. Commitments and Contingencies

The County is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arose, in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the County. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year-end.

The County participates in several state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives periodically.

14. Subsequent events

Subsequent events were evaluated through May 9, 2023, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

DILLON COUNTY, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
South Carolina Retirement System									
County's proportion of the net pension liability	0.0458%	0.0455%	0.4591%	0.0472%	0.4754%	0.0494%	0.0500%	0.0600%	0.0600%
County's proportionate share of the net pension liability	\$ 11,092,921	\$ 11,636,681	\$ 10,482,902	\$ 10,572,663	\$ 10,702,019	\$ 10,542,369	\$ 9,807,430	\$ 9,668,891	\$ 10,073,101
County's covered payroll	\$ 5,452,893	\$ 5,084,068	\$ 4,854,797	\$ 4,889,602	\$ 4,796,656	\$ 4,779,544	\$ 5,043,311	\$ 4,947,482	\$ 4,548,271
County's proportionate share of the net pension liability as a percentage of its covered payroll	203.43%	228.89%	215.93%	216.23%	223.11%	220.57%	194.46%	195.43%	221.47%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	50.70%	54.40%	54.10%	53.30%	52.90%	57.00%	59.92%	56.39%
South Carolina Police Officers Retirement System									
County's proportion of the net pension liability	0.1971%	0.1875%	0.1958%	0.2037%	0.2105%	0.2290%	0.2400%	0.2200%	0.2200%
County's proportionate share of the net pension liability	\$ 5,912,295	\$ 6,219,008	\$ 5,611,517	\$ 5,770,855	\$ 5,765,367	\$ 5,808,984	\$ 5,311,019	\$ 4,306,256	\$ 4,622,882
County's covered payroll	\$ 3,076,741	\$ 2,825,926	\$ 2,844,631	\$ 2,821,880	\$ 2,834,060	\$ 2,915,803	\$ 2,828,966	\$ 2,819,436	\$ 2,643,499
County's proportionate share of the net pension liability as a percentage of its covered payroll	192.16%	220.07%	197.27%	204.50%	203.43%	199.22%	187.74%	152.73%	174.88%
Plan fiduciary net position as a percentage of the total pension liability	66.40%	58.80%	62.70%	61.70%	60.90%	60.40%	64.60%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of one year prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the County implemented GASB 68 during fiscal year 2014. As such, only the last eight years of information is available.

DILLON COUNTY, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
South Carolina Retirement System										
Contractually required contributions	\$ 902,999	\$ 804,346	\$ 791,081	\$ 706,858	\$ 663,030	\$ 554,494	\$ 528,618	\$ 540,153	\$ 517,011	\$ 482,118
Contributions in relation to the contractually required contribution	(902,999)	(804,346)	(791,081)	(706,858)	(663,030)	(554,494)	(528,618)	(540,153)	(517,011)	(482,118)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County covered payroll	\$ 5,452,893	\$ 5,169,322	\$ 5,084,068	\$ 4,854,797	\$ 4,889,602	\$ 4,796,656	\$ 4,779,544	\$ 5,043,311	\$ 4,947,482	\$ 4,548,271
Contributions as a percentage of covered payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.71%	10.45%	10.60%
South Carolina Police Officers Retirement System										
Contractually required contributions	\$ 591,965	\$ 518,245	\$ 515,449	\$ 490,414	\$ 458,273	\$ 403,570	\$ 400,631	\$ 368,048	\$ 350,737	\$ 325,151
Contributions in relation to the contractually required contribution	(591,965)	(518,245)	(515,449)	(490,414)	(458,273)	(403,570)	(400,631)	(368,048)	(350,737)	(325,151)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County covered payroll	\$ 3,076,741	\$ 2,841,253	\$ 2,825,926	\$ 2,844,631	\$ 2,821,880	\$ 2,834,060	\$ 2,915,803	\$ 2,828,966	\$ 2,819,436	\$ 2,643,499
Contributions as a percentage of covered payroll	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.01%	12.44%	12.30%

* - The amounts presented for each fiscal year were determined as of July 1 of one year prior, using membership data as of the day, projected forward data as of the day, projected forward to June 30 of the previous year.

DILLON COUNTY, SOUTH CAROLINA

SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 339,629	\$ 267,222	\$ 281,084	\$ 295,762	\$ 329,888
Interest	140,937	170,607	172,645	155,109	128,363
Difference between expected and actual experience	33,987	(693,442)	(29,052)	51,585	(3,618)
Changes of assumptions or other inputs	753,450	645,138	361,020	5,023	(392,419)
Benefit payments	(141,742)	(106,054)	(88,523)	(87,323)	(80,970)
Net change in Total OPEB Liability	1,126,261	283,471	697,174	420,156	(18,756)
Total OPEB Liability - beginning	5,653,575	5,370,104	4,672,930	4,252,774	4,271,530
Total OPEB Liability - ending	<u>\$ 6,779,836</u>	<u>\$ 5,653,575</u>	<u>\$ 5,370,104</u>	<u>\$ 4,672,930</u>	<u>\$ 4,252,774</u>
Covered payroll	\$ 8,426,823	\$ 8,410,374	\$ 8,265,374	\$ 8,265,374	\$ 8,214,767
Total OPEB Liability as a percentage of covered payroll	80.46%	67.22%	64.97%	56.54%	51.77%

* - The amounts presented for each fiscal year were determined as of June 30 of the current year, using membership data as of June 30 of the current year. Additionally, the County implemented GASB 75 during fiscal year 2018. As such, only four years subsequent to fiscal year 2018 have information available.

COMBINING FUND FINANCIAL STATEMENTS

DILLON COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

		Special Revenue Fund									
	Debt Service	Grant Fund	Sheriff Discretionary	Clerk of Court/ Child Support	Sheriff Federal Grants	Accommodations Tax	Economic Development	Capital Improvements	"C" Funds	Emergency Fund	Total
Assets											
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,074	\$ -	\$ 201,074
Receivables:											
Property taxes	64,124	-	-	-	-	-	-	-	-	-	64,124
Accounts	112,102	-	-	-	10,744	-	-	-	-	-	122,846
Intergovernmental	-	-	-	-	-	-	80,000	-	-	38,010	118,010
Due from other funds	-	298,713	317,297	421,780	34,548	231,409	-	780,414	1,178,307	224,593	3,487,061
Total assets	176,226	298,713	317,297	421,780	45,292	231,409	80,000	780,414	1,379,381	262,603	3,993,115
Liabilities and fund balances											
Liabilities											
Accounts payable	-	-	-	-	37,164	-	46,839	-	-	-	84,003
Accrued salaries	25,709	-	-	-	-	-	-	-	-	-	25,709
Unearned revenue	-	298,960	-	-	-	-	-	-	-	-	298,960
Due to other funds	170,131	-	-	-	-	-	636,472	-	1,066,422	-	1,873,025
Total liabilities	195,840	298,960	-	-	37,164	-	683,311	-	1,066,422	-	2,281,697
Deferred inflows of resources:											
Property taxes	44,422	-	-	-	-	-	-	-	-	-	44,422
Grants and fees	-	-	-	-	10,744	-	-	-	-	-	10,744
Total deferred inflows of resources	44,422	-	-	-	10,744	-	-	-	-	-	55,166
Fund Balance											
Assigned	(64,036)	-	-	-	-	231,409	-	-	312,959	-	480,332
Restricted	-	(247)	317,297	421,780	(2,616)	-	(603,311)	780,414	-	262,603	1,175,920
Total fund balance	(64,036)	(247)	317,297	421,780	(2,616)	231,409	(603,311)	780,414	312,959	262,603	1,656,252
Total liabilities and fund balances	\$ 176,226	\$ 298,713	\$ 317,297	\$ 421,780	\$ 45,292	\$ 231,409	\$ 80,000	\$ 780,414	\$ 1,379,381	\$ 262,603	\$ 3,993,115

DILLON COUNTY, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

		Special Revenue Fund									
	Debt Service	Grant Fund	Sheriff Discretionary	Clerk of Court/ Child Support	Sheriff Federal Grants	Accommodations Tax	Economic Development	Capital Improvements	"C" Funds	Emergency Fund	Total
Revenues											
Ad valorem	\$ 1,697,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,697,040
Intergovernmental revenue	112,102	1,040	398,000	90,771	26,716	44,757	224,208	-	1,904,676	164,987	2,967,257
Fines and fees	-	-	400	-	-	-	-	-	-	134,026	134,426
Interest	-	-	-	-	-	-	-	-	1,891	-	1,891
Miscellaneous	-	-	65,000	-	-	-	-	-	-	-	65,000
Total revenues	1,809,142	1,040	463,400	90,771	26,716	44,757	224,208	-	1,906,567	299,013	4,865,614
Expenditures											
General government administration	-	2,305	-	-	-	-	-	-	-	-	2,305
Administration of justice	-	-	-	2,877	-	-	-	-	-	-	2,877
Public safety and law enforcement	-	-	458,575	-	27,668	-	-	-	-	306,846	793,089
Public works	-	-	-	-	-	-	-	-	2,479,342	-	2,479,342
Economic development	-	1,040	-	-	-	-	893,958	-	-	-	894,998
Capital outlay	-	-	-	-	-	-	-	824,393	-	-	824,393
Principal retirement	1,931,548	-	-	-	-	-	-	-	-	-	1,931,548
Interest and fiscal charges	109,925	-	-	-	-	-	-	-	-	-	109,925
Total expenditures	2,041,473	3,345	458,575	2,877	27,668	-	893,958	824,393	2,479,342	306,846	7,038,477
Other financing sources											
General obligation bond issued	-	-	-	-	-	-	-	1,200,000	-	-	1,200,000
Total other financing sources	-	-	-	-	-	-	-	1,200,000	-	-	1,200,000
Net change in fund balances	(232,331)	(2,305)	4,825	87,894	(952)	44,757	(669,750)	375,607	(572,775)	(7,833)	(972,863)
Fund balances, beginning of year	168,295	2,058	312,472	333,886	(1,664)	186,652	66,439	404,807	885,734	270,436	2,629,115
Fund balances, ending	<u>\$ (64,036)</u>	<u>\$ (247)</u>	<u>\$ 317,297</u>	<u>\$ 421,780</u>	<u>\$ (2,616)</u>	<u>\$ 231,409</u>	<u>\$ (603,311)</u>	<u>\$ 780,414</u>	<u>\$ 312,959</u>	<u>\$ 262,603</u>	<u>\$ 1,656,252</u>

OTHER FINANCIAL INFORMATION

DILLON COUNTY, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS, AND SURCHARGES

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Court Fines and Assessments:

Court fines and assessments collected	\$ 1,170,445
Court fines and assessments remitted to State Treasurer	<u>(412,756)</u>
Total Court fines and assessments retained	<u>\$ 757,689</u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$ 20,317
Assessments retained	<u>9,469</u>
Total surcharges and assessments retained for victims services	<u>\$ 29,786</u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$ -
Victim Service Revenue	
Victim service fines retained by the City	
Victim service assessments retained by the City	9,469
Victim service surcharges retained by the City	20,317
Collected from Town of Lakewood	4,941
General funds transferred to victim service fund	<u>61,045</u>
Total funds allocated to victim service fund + beginning balance (A)	<u>95,772</u>
Expenditures for Victim Service Program	
Salaries and benefits	94,110
Operating expenditures	<u>1,662</u>
Total expenditures from victim service fund/program (B)	<u>95,772</u>
Total victim service funds retained by the City (A-B)	<u>-</u>
Less: prior year fund deficit repayment	<u>-</u>
Carryforward funds - end of year	<u>\$ -</u>

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Expenditures June 30, 2022
Department of Homeland Security		
Emergency Management Performance Grants		
Emergency Management Performance Grants	97.042	\$ 26,715
Total Emergency Management Performance Grants		<u>26,715</u>
Total Department of Homeland Security		<u>26,715</u>
United States Department of Justice		
Edward Byrne Memorial Justice Assistance Grant Program		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	953
Total Edward Byrne Memorial Justice Assistance Grant Program		<u>953</u>
Total United States Department of Justice		<u>953</u>
Department of the Treasury		
Coronavirus Relief Fund		
Coronavirus Relief Fund	21.019	1,443,765
Total Coronavirus Relief Fund		<u>1,443,765</u>
Total Department of the Treasury		<u>1,443,765</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,471,433</u></u>

DILLON COUNTY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town under programs of the federal government for the fiscal year ended June 30, 2022. The information in this schedule is presented in accordance with requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dillon County, it is not intended to and does not present the financial position, changes in net position or cash flows of Dillon County.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in the *Uniform Guidance* and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Costs

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Administrator and County Council
Of Dillon County
Post Office Box 449
Dillon, South Carolina 29536

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dillon County (the "County") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
May 9, 2023

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the County Administrator and County Council
Of Dillon County
Post Office Box 449
Dillon, South Carolina 29536

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Dillon County's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

The Brittingham Group LLP

West Columbia, South Carolina
May 9, 2023

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Dillon County.
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Dillon County were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of major federal awards are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Dillon County expresses an unmodified opinion.
6. No audit findings were reported relative to the major federal award programs for Dillon County as depicted below in this schedule.
7. Major federal programs:

Coronavirus Relief Fund CFDA #21.019
8. The threshold for distinguishing between Type A and Type B Programs was \$750,000.
9. Dillon County did not qualify as a low-risk auditee.

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.