

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note I - Summary of Significant Accounting Policies

The financial statements of the County of Georgetown, South Carolina have been prepared in conformity with Generally Accepted Accounting Principles (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 government's accounting policies are described below.

Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. Potential component units are legally separate organizations for which the elected officials of the County might be considered to be financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, based on Statement No. 39 of the Governmental Accounting Standards Board. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents; it follows that an accountability perspective should provide the basis for defining the financial reporting entity. In accordance with that concept, the Georgetown County financial reporting entity consists only of the departments and funds of the County, the primary government; no other separate entities have been included in the reporting entity (and these financial statements) because the County is not financially accountable for any other separate organizations, and there are no other organizations for which the nature and significance of their relationship with the County is such that exclusion would cause the financial statements to be misleading or incomplete.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County as a whole. For the most part, the effect of interfund activity (other than for services provided and used) within the governmental and business-type columns has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis. The County's net position is reported in three parts: 1) net position invested in capital assets, net of related debt, 2) restricted net position, and 3) unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in each of the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. It is the County's policy to report property tax revenue as non-operating revenue in its proprietary funds.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, court fines, state aid and shared taxes, ambulance fees, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the County. The General fund accounts for all financial resources except those that are required to be reported in another fund.

Law Enforcement Fund: The Law Enforcement Fund is a special revenue fund which accounts for the proceeds of specific revenue sources that are collected for the purpose of providing law enforcement protection services for Georgetown County.

Debt Service Fund: The Debt Service Fund accounts for revenues collected for the purpose of servicing the County's outstanding debt.

Capital Improvement Plan (CIP) Projects Fund: To account for funds, including bond proceeds, segregated and earmarked for the County's "Visions II" Capital Improvement Plan, along with the associated costs of the individual CIP projects.

The County reports the following major proprietary funds:

Environmental Services Fund (Enterprise Fund): The Environmental Services Fund is used to account for the operations of the County landfill along with related solid waste management functions such as waste collection, recycling, and methane collection. Also includes mosquito control activities. This fund is funded from a combination of user fees and property taxes.

Stormwater Drainage Utility Fund (Enterprise Fund): The Stormwater Drainage Utility Fund is used to account for the operations of the County's stormwater drainage management program. This fund is funded by user fees and nonoperating grants.

Additionally, the County reports the following fiduciary fund type:

Agency Fund: This fund type is used to report resources held by the County in a custodial capacity as an agent on behalf of others and does not involve the measurement of results of operation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are user fees collected in association with the provision of waste collection and disposal services (Environmental Services Fund) and stormwater drainage management (Stormwater Drainage Utility Fund). Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Cash, Cash Equivalents, and Investments

The County considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The County's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types, and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the County to invest in the following:

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

(g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

The County's cash and investment objectives are preservation of capital, liquidity, and yield. The County reports its cash and investments at fair value which is normally determined by quoted market prices. The County primarily uses the following investments in its operating activities:

South Carolina Local Government Investment Pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, PO Box 11778, Columbia, SC 29211-1960.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables

All accounts and property tax receivables are shown at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. This amount is determined by analyzing the percentage of receivables that was not collected in prior years.

Property taxes for real property and personal property except motor vehicles are due without penalties by January 15th of each fiscal year. Uncollected taxes and penalties are considered delinquent on March 15th. Property taxes for motor vehicles are due in the month in which the state motor vehicle license will be renewable. Property tax revenues are recognized in accordance with imposed nonexchange transactions in accordance with GASB No. 33.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The amount of inventories on hand at year end for the governmental fund types consist of postage, park passes, refrigerant, emergency preparedness supplies, and diesel fuel. Inventories are valued at cost generally using the last-in-first-out (LIFO) cost method. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain assets of debt service, special revenue and enterprise funds are classified as restricted on the balance sheet because their use is limited to specific purposes for which the funds were received.

Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Construction in progress represents funds expended for construction of capital assets which have not been placed into service.

Property, plant, and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements	5-25
Buildings	8-20
Infrastructure	20-35
Mining Rights	5-15
Software	3-5
Furniture & Fixtures	5-10
Machinery & Equipment	3-10
Automotive Equipment	3-10

Depreciation for capital assets that can be specifically identified with a function is included in the direct expenses for that function.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet 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 has two types of deferred outflows of resources: 1) The County reports *deferred bond refunding charges* in its Statement of Net Position. Deferred bond refunding charges, which is the difference between the reacquisition price and the net carrying amount of the defeased debt, is deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of deferred bond refunding charges is included in interest expense; 2) The County also reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System and *deferred OPEB charges* associated with other post-employment health benefits. These *deferred charges* are either a) recognized in the subsequent period as a reduction of the net pension or OPEB liability (which includes contributions and benefits paid after the measurement date), or b) amortized in a systematic and rational method and included in expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 has two types of deferred inflows of resources: 1) The County reports *unavailable revenue* for property taxes, court fines, and EMS fees only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources in the period the amounts become available. 2) The County also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System and deferred OPEB credits associated with other post-employment health benefits. These *deferred credits* are amortized in a systematic and rational method and recognized as a reduction of expenses in future periods in accordance with GAAP.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liquidations of compensated absence liabilities are recognized in each accounting fund in which the personnel are accounted for.

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium, discount, and deferred refunding costs. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 11 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The County recognizes a net pension liability for its participation in the Plans, which represents the County's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the County's preceding fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Liquidations of pension liabilities are recognized in each accounting fund in which personnel are accounted for.

Other Post-Employment Benefits

Other post-employment benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note 12 for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. The County calculates and reports its total OPEB liability and expense, along with the related deferred outflows and deferred inflows of resources in accordance with GASB Statement No. 75. Liquidations of OPEB liabilities are recognized in each accounting fund in which personnel are accounted for.

Nonexchange Transactions

The standards established by GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*," provide accounting and reporting for the following four categories of nonexchange transactions: 1) Derived tax revenues, 2) Imposed nonexchange revenues, 3) Government-mandated nonexchange transactions, and 4) Voluntary nonexchange transactions. Nonexchange transactions involve financial or capital resources in which the government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.

Assets from derived tax revenues are recognized when the underlying exchange has occurred or when the resources are received, whichever occurs first. Revenues are recognized when the underlying exchange has occurred and resources are available to the government.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Assets from imposed nonexchange revenues are recognized when an enforceable legal claim has arisen or when resources are received, whichever occurs first. Revenues are recognized when resources are required to be used or the first period that use is permitted. Resources must also be available to the government.

Assets, liabilities, revenues, and expenditures from government-mandated and voluntary nonexchange transactions are generally recognized when all eligibility requirements have been met. Resources received before the eligibility requirements are fulfilled are reported as deferred revenues. Eligibility requirements can include one or more of the following:

- The recipient has the characteristics specified by the provider.
- Time requirements specified by the provider have been met.
- The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
- The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Net Position/Fund Balances

Net position is defined as the difference between assets and liabilities in the government-wide statement of net position. The County's net position in the government-wide financial statements and proprietary fund financial statements is then classified as follows:

Investment in Capital Assets: This represents the County's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted expendable net position includes resources in which the County is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from ad-valorem taxes, earnings on investments, state and local grants, fees, and shared revenues.

In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the County classifies its governmental fund balances as follows:

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 amounts 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 imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution or ordinance of County Council. Those committed amounts cannot be used for any other purpose unless County Council 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 only when they have been approved for specific purposes by County Council before the fiscal year end.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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 actions necessary to remove or modify an assignment does not require the County's highest level of authority. In the special revenue funds and capital projects funds, assigned fund balances represent amounts that have been earmarked for specific purposes.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned for specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned balance.

Based on the County's practices regarding fund balance classifications as noted above, the County considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditures that have been designated by County Council or donors have been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

Fund Balance Policy

By policy of County Council, it is required that a minimum unassigned fund balance be maintained in the General Fund in the amount of \$8,000,000, or 35% of the annual budget, whichever is greater. Unassigned fund balances equal to 10% of annual budget amounts are required to be maintained in the Law Enforcement, County Fire, Midway Fire, Bureau of Aging Services, and Economic Development funds.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds appropriated by County Council annually. Certain special revenue and capital projects funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and capital improvement plan initiatives) and sometimes span a period of more than one fiscal year.

The appropriated budget is adopted by ordinance at the individual fund level. The County's directors and department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the County Administrator and transfers between funds require approval of County Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Excess of Expenditures over Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in several funds primarily as a result of unusually high medical claims costs associated with the County's self-insured health benefits program. Following is a table of those funds with excess expenditures and the amounts:

Special Revenue Funds	
County Fire (District I) Fund	\$ 52,729
Midway Fire (District II) Fund	40,184
Victim Services Fund	28,436
Law Enforcement Fund	5,745
Choppee Regional Center Fund	34

Note 2 - Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits might not be recovered. The County does not have a formal deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2019, the County's bank balances totaled \$64,229,252 and had a carrying (book) value of \$62,935,956. Of the total bank balances, \$48,684,791 was covered by depository insurance, \$11,660,790 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name, and \$203,949 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. Cash on hand totaled \$23,631.

Investments

The County's investments are limited by and subject to State statutes. 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 further restrict investment alternatives.

As of June 30, 2019, the County had the following investments and maturities, with fair value amounts reflecting active market values as reported by the various financial institutions and agents holding the investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>%</u>	<u>Weighted Average Maturities</u>
South Carolina Local Government Investment Pool (SCLGIP)	Unrated	\$ 49,556,751	90.94%	Less than One Year
Government Money Market Mutual Fund	Unrated	4,645,547	8.52%	Various
Negotiable Certificates of Deposit	Undetermined	<u>292,900</u>	<u>0.54%</u>	Various
Total		<u>\$ 54,495,198</u>	<u>100.00%</u>	

The SCLGIP is subject to oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission.

Of the fair value amount of \$292,900 in negotiable certificates of deposit, the entire balance was FDIC insured.

The fair value measurements listed above are considered Level 1 in the hierarchy of valuation inputs, providing the highest level of reliability and the lowest level of risk in the disclosed values.

Interest Rate Risk: The County does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 2 - Deposits and Investments (continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk but follows the investment statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County does not have an investment policy for credit risk but follows the investment statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The County places no limit on the amount the County may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

Reconciliation to the Financial Statements

A reconciliation of cash and investments as shown in the Statements of Net Position for all activities is as follows:

	Amount
Carrying Amount of Deposits	\$ 62,935,956
Cash on Hand	23,631
Fair Value of Investments	54,495,198
	\$ 117,454,785
 Statement of Net Position	
Cash and Investments	\$ 89,195,352
Cash and Investments, Restricted	14,566,378
 Statement of Fiduciary Net Position	
Cash and Investments	13,693,055
	\$ 117,454,785

Note 3 - Receivables

Receivables at June 30, 2019, consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Taxes Receivable, Net			
Property Taxes Receivable	\$ 1,026,945	\$ 58,190	\$ 1,085,135
Local Accommodations & Hospitality Tax	869,451	--	869,451
	1,896,396	58,190	1,954,586
 Court Fines Receivable, Net	452,709	--	452,709
	452,709	--	452,709
 Due from Other Governments			
Grants	927,749	--	927,749
Local Government Fund	577,640	--	577,640
Mini-Bottle Fees	68,781	--	68,781
State Accommodations Tax	399,050	--	399,050
E911 Telephone System Fees & Reimb.	117,575	--	117,575
Inventory Tax Replacement	23,586	--	23,586
Capital Projects Sales Tax	2,508,063	--	2,508,063
Various Other	94,542	--	94,542
	4,716,986	--	4,716,986

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 3 - Receivables (continued)

Due from Customers, Net			
Landfill Fees Receivable	--	217,127	217,127
Stormwater Fees Receivable	--	<u>25,883</u>	<u>25,883</u>
	--	<u>243,010</u>	<u>243,010</u>
Other Receivables, Net			
EMS Billings	823,938	--	823,938
Prisoner Housing	23,924	--	23,924
Hangar Rent	39,169	--	39,169
Reimbursement for SRO's	105,506	--	105,506
Franchise Fees	113,403	--	113,403
BOAS Contractual Service Reimbursements	77,603	--	77,603
Interest Earnings	496,542	--	496,542
Insurance Reimbursements	30,459	--	30,459
South Carolina Election Commission	3,000	--	3,000
Various Other	<u>416,626</u>	<u>17,590</u>	<u>434,216</u>
	<u>2,130,170</u>	<u>17,590</u>	<u>2,147,760</u>
Total Receivables	<u>\$ 9,196,261</u>	<u>\$ 318,790</u>	<u>\$ 9,515,051</u>

Property taxes receivable that do not meet the availability requirement have been recorded as unavailable revenue in the fund financial statements. Allowances for uncollectible property taxes have been recorded in the governmental activities in the amount of \$1,026,945 and \$58,190 in the business-type activities.

Allowances for uncollectible court fines of \$732,962, EMS fees of \$8,123,922, and local accommodations and hospitality taxes of \$147,859 have been recorded in the governmental activities. Allowances for uncollectible landfill tipping fees of \$112,867 and stormwater fees of \$25,883 have been recorded in the business-type activities.

Note 4 - Restricted Assets

The County has recorded restricted cash and investments totaling \$5,384,559 in the governmental funds for the following:

Murrells Inlet Revitalization - MI 2020	\$ 25,515
Impact Fees	713,497
Bond Debt Service Reserve Funds	<u>4,645,547</u>
	<u>\$ 5,384,559</u>

The County has recorded cash as restricted in the amount of \$9,181,819 in the Environmental Services (Business-Type) Proprietary Enterprise Fund, as these funds are restricted for landfill closure and post closure care costs.

Note 5 - Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2019, are as follows:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 586,589	\$ --
Nonmajor Special Revenue Funds (eliminated)	<u>--</u>	<u>586,589</u>
	<u>\$ 586,589</u>	<u>\$ 586,589</u>

These interfund balances are eliminated in the Statement of Net Position.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows for governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 23,224,368	\$ 101,289	\$ (2,000)	\$ 23,323,657
Construction in Progress	<u>3,169,713</u>	<u>6,987,539</u>	<u>(1,452,041)</u>	<u>8,705,211</u>
Total, not being Depreciated	<u>\$ 26,394,081</u>	<u>\$ 7,088,828</u>	<u>\$ (1,454,041)</u>	<u>\$ 32,028,868</u>
Capital Assets, being Depreciated:				
Improvements	\$ 63,768,345	\$ 1,657,823	\$ --	\$ 65,426,168
Buildings	71,634,381	1,265	(11,443)	71,624,203
Infrastructure	30,092,983	159,177	--	30,252,160
Software	830,211	--	--	830,211
Furniture & Fixtures	987,868	--	--	987,868
Machinery & Equipment	24,066,339	571,884	(78,577)	24,559,646
Automotive Equipment	<u>28,604,606</u>	<u>826,623</u>	<u>(803,355)</u>	<u>28,627,874</u>
Total, being Depreciated	<u>219,984,733</u>	<u>3,216,772</u>	<u>(893,375)</u>	<u>222,308,130</u>
Less Accumulated Depreciation for:				
Improvements	(27,122,437)	(2,896,834)	--	(30,019,271)
Buildings	(38,124,147)	(2,748,739)	11,443	(40,861,443)
Infrastructure	(9,499,932)	(854,975)	--	(10,354,907)
Software	(720,231)	(61,021)	--	(781,252)
Furniture & Fixtures	(771,693)	(74,739)	--	(846,432)
Machinery & Equipment	(21,416,765)	(863,473)	78,577	(22,201,661)
Automotive Equipment	<u>(20,297,602)</u>	<u>(2,101,115)</u>	<u>803,355</u>	<u>(21,595,362)</u>
Total Accumulated Depreciation	<u>(117,952,807)</u>	<u>(9,600,896)</u>	<u>893,375</u>	<u>(126,660,328)</u>
Total, being Depreciated, Net	<u>\$ 102,031,926</u>	<u>\$ (6,384,124)</u>	<u>\$ --</u>	<u>\$ 95,647,802</u>
Total Governmental Activities, Net	<u>\$ 128,426,007</u>	<u>\$ 704,704</u>	<u>\$ (1,454,041)</u>	<u>\$ 127,676,670</u>

Construction in progress in the amount of \$1,452,041 was reclassified upon completion to improvements in the amount of \$1,291,538, infrastructure in the amount of \$57,616, machinery and equipment in the amount of \$75,704, and vehicles in the amount of \$27,184. Assets totaling \$895,375, with accumulated depreciation of \$893,375, were sold, or otherwise disposed of, for \$152,220, resulting in a gain recognized on the sale or other disposal of capital assets in the amount of \$150,220. There were no capital asset donations. Capital outlay reported in the governmental funds statement of revenues, expenditures and changes in fund balances includes \$645,505 that did not meet criteria to be capitalized.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 6 - Capital Assets (continued)

Capital asset activity for the year ended June 30, 2019, was as follows for business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,149,907	\$ --	\$ --	\$ 1,149,907
Construction in Progress	<u>1,463,749</u>	<u>3,984,649</u>	<u>(905,091)</u>	<u>4,543,307</u>
Total, not being Depreciated	<u>\$ 2,613,656</u>	<u>\$ 3,984,649</u>	<u>\$ (905,091)</u>	<u>\$ 5,693,214</u>
Capital Assets, being Depreciated:				
Improvements	18,485,340	752,823	--	19,238,163
Buildings	492,979	238,277	--	731,256
Software	70,623	--	--	70,623
Machinery & Equipment	7,346,254	148,918	(27,333)	7,467,839
Automotive Equipment	<u>3,530,662</u>	<u>--</u>	<u>(283,611)</u>	<u>3,247,051</u>
Total, being Depreciated	<u>29,925,858</u>	<u>1,140,018</u>	<u>(310,944)</u>	<u>30,754,932</u>
Less Accumulated Depreciation for:				
Improvements	(11,313,754)	(654,404)	--	(11,968,158)
Buildings	(314,408)	(28,165)	--	(342,573)
Software	(70,623)	--	--	(70,623)
Machinery & Equipment	(3,584,399)	(676,941)	27,333	(4,234,007)
Automotive Equipment	<u>(2,463,969)</u>	<u>(245,253)</u>	<u>283,611</u>	<u>(2,425,611)</u>
Total Accumulated Depreciation	<u>(17,747,153)</u>	<u>(1,604,763)</u>	<u>310,944</u>	<u>(19,040,972)</u>
Total, being Depreciated, Net	<u>\$ 12,178,705</u>	<u>\$ (464,745)</u>	<u>\$ --</u>	<u>\$ 11,713,960</u>
Total Business-Type Activities, Net	<u>\$ 14,792,361</u>	<u>\$ 3,519,904</u>	<u>\$ (905,091)</u>	<u>\$ 17,407,174</u>

Construction in progress in the amount of \$889,003 was reclassified upon completion to buildings in the amount of \$227,277 and to improvements in the amount of \$661,726. Assets totaling \$327,032, with accumulated depreciation of \$310,944, were sold or otherwise disposed of for \$46,550. A gain was recognized on the sales or other disposal of capital assets in amount of \$30,462. There were no capital asset donations.

Depreciation expense for the year ended June 30, 2019, was charged to the following functions:

Governmental Activities:	
General Government	\$ 1,499,641
Public Safety	2,428,049
Public Works	1,332,191
Health and Welfare	103,567
Economic Development	1,113,312
Cultural and Recreation	<u>3,124,136</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 9,600,896</u>

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 6 - Capital Assets (continued)

Business-Type Activities:

Environmental Services	\$ 1,299,596
Stormwater Management Services	<u>305,167</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,604,763</u>

Total assets purchased under capital leases with remaining liens are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Original Cost of Assets	\$ 11,899,312	\$ 5,669,173
Accumulated Depreciation	<u>(5,935,300)</u>	<u>(2,668,681)</u>
Net Book Value	<u>\$ 5,964,012</u>	<u>\$ 3,000,492</u>

Note 7 - Long-Term Liabilities and Debt

Following is a summary of changes in long-term liabilities during the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 23,425,000	\$ --	\$ (1,225,000)	\$ 22,200,000	\$ 1,270,000
Installment Purchase Revenue Bonds	37,140,000	--	(2,345,000)	34,795,000	2,460,000
Plus: Unamortized Premiums	3,746,748	--	(311,240)	3,435,508	311,240
Less: Unamortized Discounts	<u>(240,885)</u>	<u>--</u>	<u>21,100</u>	<u>(219,785)</u>	<u>(21,100)</u>
Net Bonds Payable	64,070,863	--	(3,860,140)	60,210,723	4,020,140
Loan (Energy Savings)	165,800	--	(53,641)	112,159	53,641
Capital Leases	11,147,688	831,299	(2,468,543)	9,510,444	2,396,235
Net Pension Liability	50,045,595	--	(1,496,258)	48,549,337	--
OPEB Liability	26,963,465	1,979,181	--	28,942,646	--
Compensated Absences	<u>1,562,790</u>	<u>1,759,330</u>	<u>(1,562,790)</u>	<u>1,759,330</u>	<u>1,670,309</u>
Totals	<u>\$ 153,956,201</u>	<u>\$ 4,569,810</u>	<u>\$ (9,441,372)</u>	<u>\$ 149,084,639</u>	<u>\$ 8,140,325</u>
Business-Type Activities					
Capital Leases	\$ 3,986,283	\$ 422,563	\$ (708,161)	\$ 3,700,685	\$ 752,666
Net Pension Liability	3,379,834	--	(93,431)	3,286,403	--
OPEB Liability	1,806,771	132,621	--	1,939,392	--
Compensated Absences	109,699	117,253	(109,699)	117,253	111,390
Landfill Closure/Postclosure	<u>9,676,611</u>	<u>740,121</u>	<u>(1,234,913)</u>	<u>9,181,819</u>	<u>67,000</u>
Totals	<u>\$ 18,959,198</u>	<u>\$ 1,412,558</u>	<u>\$ (2,146,204)</u>	<u>\$ 18,225,552</u>	<u>\$ 931,056</u>

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 7 - Long-Term Liabilities and Debt (continued)

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the County. The County issues general obligation bonds to provide funds for the acquisition, construction and improvement of capital facilities. General obligations bonds are ordinarily repaid with property tax revenues.

On October 11, 2011, the County issued \$11,140,000 in general obligation refunding bonds with interest rates ranging between 2.00% and 4.00%. The bonds require semi-annual interest payments on March 1 and September 1 each year, along with an annual principal payment on March 1 each year. Final maturity on the bonds is on March 1, 2023.

On December 22, 2017, the County issued \$17,370,000 in General Obligation Refunding Bonds, Series 2017, with interest rates ranging from 4.0% to 5.0%. The bonds were issued to advance refund \$17,585,000 of the outstanding Series 2013 General Obligation Bonds with interest rates ranging from 4.0% to 5.0%. The County placed the net proceeds into an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2013 bonds. As a result, that portion of the Series 2013 Bonds is considered to be defeased, and the County has removed the associated liability from its accounts. The refunding bonds require semi-annual interest payments on March 1 and September 1 each year, along with an annual principal payment on March 1 each year. Final maturity on the bonds is on March 1, 2033.

Annual debt service requirements to maturity for general obligation bonds outstanding at June 30, 2019, are as follows:

General Obligation Refunding Bonds of 2011 (Issued 10/11/11)

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Principal March 1</u>	<u>Interest September 1</u>	<u>Interest March 1</u>	<u>Total Annual Payments</u>
2020	3.00%-4.00%	4,860,000	\$ 1,155,000	\$ 85,475	\$ 85,475	\$ 1,325,950
2021	3.00%-4.00%	3,705,000	1,190,000	68,150	68,150	1,326,300
2022	4.00%	2,515,000	1,235,000	50,300	50,300	1,335,600
2023	4.00%	1,280,000	<u>1,280,000</u>	<u>25,600</u>	<u>25,600</u>	<u>1,331,200</u>
Totals			<u>\$ 4,860,000</u>	<u>\$ 229,525</u>	<u>\$ 229,525</u>	<u>\$ 5,319,050</u>

General Obligation Bonds of 2013 (Issued 6/27/13)

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Principal March 1</u>	<u>Interest September 1</u>	<u>Interest March 1</u>	<u>Total Annual Payments</u>
2020	4.00%-5.00%	\$ 295,000	\$ 80,000	\$ 6,975	\$ 6,975	\$ 93,950
2021	5.00%	215,000	90,000	5,375	5,375	100,750
2022	5.00%	125,000	85,000	3,125	3,125	91,250
2023	5.00%	40,000	<u>40,000</u>	<u>1,000</u>	<u>1,000</u>	<u>42,000</u>
Totals			<u>\$ 295,000</u>	<u>\$ 16,475</u>	<u>\$ 16,475</u>	<u>\$ 327,950</u>

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 7 - Long-Term Liabilities and Debt (continued)

General Obligation Refunding Bonds of 2017 (Issued 12/22/17)

Fiscal Year	Interest Rate	Balance	Principal March 1	Interest September 1	Interest March 1	Total Annual Payments
2020	4.00%-5.00%	\$ 17,045,000	\$ 35,000	\$ 387,550	\$ 387,550	\$ 810,100
2021	4.00%-5.00%	17,010,000	30,000	386,675	386,675	803,350
2022	4.00%-5.00%	16,980,000	40,000	385,925	385,925	811,850
2023	4.00%-5.00%	16,940,000	95,000	384,925	384,925	864,850
2024	4.00%-5.00%	16,845,000	815,000	382,550	382,550	1,580,100
2025-2029	5.00%	16,030,000	5,955,000	1,584,625	1,584,625	9,124,250
2030-2033	4.00%-5.00%	10,075,000	<u>10,075,000</u>	<u>526,000</u>	<u>526,000</u>	<u>11,127,000</u>
Totals			<u>\$ 17,045,000</u>	<u>\$ 4,038,250</u>	<u>\$ 4,038,250</u>	<u>\$ 25,121,500</u>

Installment Purchase Revenue Bonds

The SCAGO Public Facilities Corporation for Georgetown County (the Corporation) Installment Purchase Revenue Bonds Refunding Issue 2009A was issued on December 17, 2009, in the face amount of \$23,725,000. In addition, the SCAGO Public Facilities Corporation for Georgetown County issued Installment Purchase Revenue Bonds Issue 2009B on the same date in the amount of \$29,185,000.

Both of the Installment Purchase Revenue Bond issues are subject to a County Facilities Purchase and Use Agreement, which details proportionate interests of the owners in certain rental payments to be made by the County under the terms of a Base Lease Agreement between the County and the Corporation. The County purchases incremental "shares" of the Capital Projects from the Corporation pursuant to the Purchase and Use Agreement, which obligates the County to make semiannual installment payments of the purchase price to the Corporation in amounts calculated to be sufficient to enable the Corporation to pay the principal and interest on the outstanding bonds; amounts budgeted as reserves for the repair and replacement of the facilities, and program administration fees.

The County's obligations under the Purchase and Use Agreement are from year to year only and do not constitute a mandatory payment obligation of the County in any fiscal year in which funds are not appropriated by County Council to pay the installment payments due in such fiscal year; however, the County would forfeit possession of the facilities for the remainder of the lease term in the event of non-payment.

Both the 2009A and 2009B bonds were issued to fund various capital projects and are secured with liens on the new County judicial center, the existing "old" county courthouse and administration facility, the County detention facility, and the County library facility in Andrews. The 2009A bonds require semi-annual interest payments on June 1 and December 1 each year, along with an annual principal payment on December 1 each year. Final maturity on the bonds is on December 1, 2029. The 2009B bonds also require semi-annual interest payments on June 1 and December 1 each year, along with an annual principal payment on December 1 each year.

The 2009B Issue is a taxable "Build America Bond" issue and as such is eligible for 35% interest credits from the U.S. Treasury. For the year ended June 30, 2019, interest subsidies received totaled \$642,136 and are reported in the Debt Service Fund as intergovernmental revenues. The scheduled subsidy receipts were reduced by \$42,444 as a result of federal sequestration adjustments. Final maturity on the bonds is December 1, 2029.

The SCAGO Public Facilities Corporation for Georgetown County installment purchase revenue bonds are not a debt of the County, however, as the Corporation is blended with the operations of the County, the debt of the Corporation is included with the County's other obligations as required by generally accepted accounting principles.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 7 - Long-Term Liabilities and Debt (continued)

Annual debt service requirements to maturity for installment purchase revenue bonds outstanding at June 30, 2019, are as follows:

Installment Purchase Revenue Bonds Series 2009A Refunding (Issued 12/17/09)

Fiscal Year	Interest Rate	Balance	Principal December 1	Interest December 1	Interest June 1	Total Annual Payments
2020	4.250%-5.000%	\$ 5,610,000	\$ 2,460,000	\$ 138,525	\$ 77,025	\$ 2,675,550
2021	4.250%-5.000%	3,150,000	2,590,000	77,025	12,275	2,679,300
2022	4.250%-5.000%	560,000	460,000	12,275	2,500	474,775
2023	5.000%	100,000	--	2,500	2,500	5,000
2024	5.000%	100,000	--	2,500	2,500	5,000
2025-2029	5.000%	100,000	--	12,500	12,500	25,000
2030	5.000%	100,000	100,000	2,500	--	102,500
Totals			<u>\$ 5,610,000</u>	<u>\$ 247,825</u>	<u>\$ 109,300</u>	<u>\$ 5,967,125</u>

Installment Purchase Revenue Bonds Series 2009B (Issued 12/17/09)

Fiscal Year	Interest Rate	Balance	Principal December 1	Interest December 1	Interest June 1	Total Annual Payments
2020	6.625%-6.750%	\$ 29,185,000	\$ --	\$ 977,972	\$ 977,972	\$ 1,955,944
2021	6.625%-6.750%	29,185,000	--	977,972	977,972	1,955,944
2022	6.625%-6.750%	29,185,000	2,250,000	977,972	903,441	4,131,413
2023	6.625%-6.750%	26,935,000	2,835,000	903,441	809,531	4,547,972
2024	6.625%-6.750%	24,100,000	3,010,000	809,531	709,825	4,529,356
2025-2029	6.625%-6.750%	21,090,000	17,180,000	2,448,456	1,870,594	21,499,050
2030	6.750%	3,910,000	3,910,000	131,963	--	4,041,963
Totals			<u>\$ 29,185,000</u>	<u>\$ 7,227,307</u>	<u>\$ 6,249,335</u>	<u>\$ 42,661,642</u>

Loan Obligation

In conjunction with an energy savings project, the County entered into a \$500,000 loan agreement on November 1, 2009, with the South Carolina Energy Office, Division of Insurance and Grant Services, State Budget and Control Board. The principal balance of the loan accrued interest at the rate of 3.0% per annum beginning on November 1, 2010, the date that the 'construction phase" was deemed to have concluded. No interest accrued on funds drawn during the construction phase.

Annual debt service requirements to maturity for the loan balance outstanding at June 30, 2019, are as follows:

South Carolina Energy Office Loan (Issued 11/01/2009)

Fiscal Year	Interest Rate	Balance	Principal November 1	Interest November 1	Total Annual Payments
2020	3.00%	\$ 112,159	\$ 55,250	\$ 3,365	\$ 58,615
2021	3.00%	56,909	56,909	1,707	58,616
Totals			<u>\$ 112,159</u>	<u>\$ 5,072</u>	<u>\$ 117,231</u>

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 7 - Long-Term Liabilities and Debt (continued)

Capital Leases

The County's governmental activities have twenty-five (25) lease purchase agreements and its business-type activities have thirteen (13) lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All capital leases are secured with liens on the assets, primarily vehicles and heavy equipment, subject to the lease financing agreements. The lease agreements have fiscal funding, or "non-appropriations," clauses which provide for the financed assets to be returned to the lessor in the event of non-appropriation by County Council. In the event of default on any terms of the agreements, the lessor may demand immediate payment of all principal then outstanding.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
FY2020	\$ 2,619,581	\$ 842,396	\$ 3,461,977
FY2021	2,069,818	791,848	2,861,666
FY2022	1,635,805	706,397	2,342,202
FY2023	1,143,863	627,395	1,771,258
FY2024	979,591	526,971	1,506,562
FY2025-FY2028	<u>1,852,296</u>	<u>511,173</u>	<u>2,363,469</u>
Total Minimum Lease Payments	10,300,954	4,006,180	14,307,134
Less: Amount Representing Interest	<u>(790,510)</u>	<u>(305,495)</u>	<u>(1,096,005)</u>
Totals	<u>\$ 9,510,444</u>	<u>\$ 3,700,685</u>	<u>\$ 13,211,129</u>

The annual requirements to amortize all debt outstanding, including capital leases, as of June 30, 2019, are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,181,485	\$ 3,358,205	\$ 9,539,690	\$ 752,666	\$ 89,730	\$ 842,396
2021	5,854,691	3,139,387	8,994,078	719,110	72,738	791,848
2022	5,577,367	2,903,326	8,480,693	649,938	56,459	706,397
2023	5,296,564	2,638,321	7,934,885	586,203	41,192	627,395
2024	4,733,492	2,360,555	7,094,047	500,397	26,574	526,971
2025-2029	24,889,004	7,611,592	32,500,596	492,371	18,802	511,173
2030-2033	<u>14,085,000</u>	<u>1,186,463</u>	<u>15,271,463</u>	--	--	--
Totals	<u>\$ 66,617,603</u>	<u>\$ 23,197,849</u>	<u>\$ 89,815,452</u>	<u>\$ 3,700,685</u>	<u>\$ 305,495</u>	<u>\$ 4,006,180</u>

The legal debt limit imposed by South Carolina statutes for issuance of general obligation debt without referendum is equal to eight per cent (8%) of the total assessed value of all taxable property in the County less currently outstanding general obligation debt that was issued without referendum. Based on the 2018 tax year assessed valuation (including merchants' inventory, manufacturing reimbursement, motor carrier and fee-in-lieu) of \$582,991,687, and outstanding general obligation bond debt at June 30, 2019, of \$22,200,000, the legal debt limit is \$24,439,335.

See Note 19 regarding issuance of refunding debt and new debt subsequent to the County's fiscal year end.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 8 - Contingencies

As of June 30, 2019, actions have been alleged against the County in which it has denied liability. Any liability would be covered by the Insurance Reserve Fund up to the policy limit. The outcome or the amount of recovery, if any, cannot be predicted with certainty; accordingly, no liability has been recorded.

Note 9 - Interfund Transfer Reconciliation

Operating transfers between the County's various funds are generally made to fund Council approved projects. Below is a summary of those interfund transfers for the fiscal year ended June 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,901,075	\$ 1,537,132
Law Enforcement Fund	2,378,000	52,461
Capital Improvement Plan Fund	7,559,830	5,513,830
Nonmajor Special Revenue Funds	391,093	5,889,925
Nonmajor Capital Projects Funds	1,021,000	--
Environmental Services Fund	--	77,650
Stormwater Management Fund	--	180,000
Totals	<u>\$ 13,250,998</u>	<u>\$ 13,250,998</u>

Note 10 - Economic Dependency

Assessed property values of the County's ten largest taxpayers follows:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>
International Paper Company	Paper Products	\$ 10,037,148
Santee Electric Coop, Inc.	Electric Utility	4,345,390
NHI-REIT of Seaside, LLC	Real Estate	1,453,284
Interfor US, Inc.	Lumber Products	1,139,080
Carmel Development	Real Estate	1,045,808
Time Warner Cable Southeast, LLC	Communications	1,032,310
Liberty Steel Georgetown, Inc.	Steel Wire	993,550
Frontier Communications	Telecommunications	865,990
Red Mountain Timber Co. III, LLC	Real Estate/Timber	831,458
Ponderosa, Inc.	Real Estate/Timber	826,732

The above values represent 4.07% of total taxable assessed valuation in the County.

Note 11 - Retirement Plans

Description of the Entity

The County participates in the South Carolina Retirement Systems (Systems), which are administered by the South Carolina Public Employee Benefit Authority (PEBA). PEBA was created on July 1, 2012, and operates a Retirement Division to administer the various retirement systems and retirement programs. It has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the Systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

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

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

Plan Descriptions

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

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

Plan Membership

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

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

Plan Benefits

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

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

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

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary for each of the Systems' defined benefit plans to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (JAAL) over a period that does not exceed the number of years scheduled in state statute. Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. The Retirement System Funding and Administration Act of 2017, which became effective on July 1, 2017, schedules the amortization period to be reduced by one year for each of the next 9 years to 20 years. Over time, and provided investment performance meets long-term assumptions and there are no future benefit enhancements, the funded ratio of each system is expected to increase and eventually attain 100 percent.

The new legislation also increased employer and employee contribution rates, established a ceiling on SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement System Investment Commission (RSIC) and PEBA as co-trustees.

Effective July 1, 2017, employee rates increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. Employer contribution rates for both SCRS and PORS increased by 2.00 percent of pay to 13.56 percent and 16.24 percent, respectively. These employer rates are inclusive of contributions for the death benefit plan which are only applicable to participating employers. Effective July 1, 2018, employee rates will remain the same but employer contribution rates are scheduled to increase by 1.00 percentage point for both SCRS and PORS to 14.56 percent and 17.24 percent, respectively. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by a minimum of 1.00 percentage point each year through July 1, 2022, and further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

The County's actuarially determined contributions, communicated to and paid by the County as a percentage of the employees' annual eligible compensation, are as follows for the past three years:

	<u>SCRS Rates</u>			<u>PORS Rates</u>		
	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
Employer Rates:						
Retirement	11.41%	13.41%	14.41%	13.84%	15.84%	16.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
	<u>11.56%</u>	<u>13.56%</u>	<u>14.56%</u>	<u>14.24%</u>	<u>16.24%</u>	<u>17.24%</u>
Employee Rates	<u>8.66%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.24%</u>	<u>9.75%</u>	<u>9.75%</u>

The required contributions and percentages of amounts, including incidental and accidental death benefits, contributed by the County to the Plans for the past three years were as follows:

	<u>SCRS Contributions</u>		<u>PORS Contributions</u>	
	<u>Required</u>	<u>Contributed %</u>	<u>Required</u>	<u>Contributed %</u>
Year Ended June 30, 2019	\$ 1,987,539	100.00%	\$ 2,247,320	100.00%
Year Ended June 30, 2018	\$ 1,778,037	100.00%	\$ 1,866,439	100.00%
Year Ended June 30, 2017	\$ 1,507,013	100.00%	\$ 1,702,550	100.00%

Eligible payrolls of the County covered under the Plans for the past three years were as follows:

	<u>SCRS Payroll</u>	<u>PORS Payroll</u>	<u>Total Eligible Payrolls</u>
Year Ended June 30, 2019	\$ 13,650,682	\$ 13,035,500	\$ 26,686,182
Year Ended June 30, 2018	\$ 13,112,369	\$ 11,492,848	\$ 24,605,217
Year Ended June 30, 2017	\$ 13,036,442	\$ 11,956,105	\$ 24,992,547

Actuarial Assumptions and Methods

Actuarial valuations of the Plans involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2018, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on actuarial valuations, using membership data as of July 1, 2017, projected forward to the end of the fiscal year, and financial information as of June 30, 2018, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2018. The Total Pension Liability as of June 30, 2018, is based on the July 1, 2017, actuarial valuations for SCRS and PORS.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	5-Year Smoothed	5-Year Smoothed
Actuarial Assumptions:		
Investment Rate of Return	7.25%	7.25%
Salary Increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes Inflation at	2.25%	2.25%
Benefit Adjustments	Lesser of 1.0% or \$500 annually	Lesser of 1.0% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the System's mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the Systems' Total Pension Liability as of June 30, 2018, are as follows:

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

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. At June 30, 2019, the County reported a total net pension liability of \$51,835,740, which consisted of \$28,282,296 and \$23,553,444 for its proportionate share of the net pension liabilities for the SCRS and the PORS, respectively. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation as of July 1, 2017.

The County's proportion of the net pension liabilities were based on a projection of the County's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2018, the County's SCRS proportion was 0.126222 percent and the County's PORS proportion was 0.831237 percent.

For the year ended June 30, 2019, the County recognized pension expense \$5,961,673, which consisted of \$3,002,710 and \$2,958,963 for the SCRS and PORS, respectively. At June 30, 2019, the County reported deferred outflows of resources (deferred pension charges) totaling \$9,305,480 and deferred inflows of resources (deferred pension credits) totaling \$1,667,038 from the following sources:

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
SCRS:		
Differences between expected and actual experience	\$ 51,053	\$ 166,433
Assumption changes	1,122,083	--
Net difference between expected and actual earnings on pension plan investments	449,264	--
Deferred amounts from changes in proportionate share and difference between employer contributions and proportionate share of total plan employer contributions	333,839	461,550
County's contributions subsequent to the measurement date	<u>1,986,414</u>	<u>--</u>
Total SCRS	<u>\$ 3,942,653</u>	<u>\$ 627,983</u>
PORS:		
Differences between expected and actual experience	\$ 725,720	\$ 1,039,055
Assumption changes	1,552,994	--
Net difference between expected and actual earnings on pension plan investments	471,012	--
Deferred amounts from changes in proportionate share and difference between employer contributions and proportionate share of total plan employer contributions	363,434	--
County's contributions subsequent to the measurement date	<u>2,249,667</u>	<u>--</u>
Total PORS	<u>\$ 5,362,827</u>	<u>\$ 1,039,055</u>

The amounts of \$1,986,414 and \$2,249,667 that were reported as deferred outflows of resources related to the County's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as reductions of the net pension liabilities in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will increase (decrease) pension expense in future measurement periods as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Measurement Period Ending June 30, 2019	\$ 1,158,498	\$ 1,330,049	\$ 2,488,547
Measurement Period Ending June 30, 2020	685,255	866,615	1,551,870
Measurement Period Ending June 30, 2021	(456,676)	(44,841)	(501,517)
Measurement Period Ending June 30, 2022	<u>(58,821)</u>	<u>(77,678)</u>	<u>(136,499)</u>
	<u>\$ 1,328,256</u>	<u>\$ 2,074,145</u>	<u>\$ 3,402,401</u>

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2017, actuarial valuations, was based upon the 30 year capital market outlook. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	47.00%		
Global Public Equity	33.00%	6.99%	2.31%
Private Equity	9.00%	8.73%	0.79%
Equity Options Strategies	5.00%	5.52%	0.28%
Real Assets	10.00%		
Real Estate (Private)	6.00%	3.54%	0.21%
Real Estate (REITs)	2.00%	5.46%	0.11%
Infrastructure	2.00%	5.09%	0.10%
Opportunistic	13.00%		
GTAA/Risk Parity	8.00%	3.75%	0.30%
Hedge Funds (non-PA)	2.00%	3.45%	0.07%
Other Opportunistic Strategies	3.00%	3.75%	0.11%
Diversified Credit	18.00%		
Mixed Credit	6.00%	3.05%	0.18%
Emerging Markets Debt	5.00%	3.94%	0.20%
Private Debt	7.00%	3.89%	0.27%
Conservative Fixed Income	12.00%		
Core Fixed Income	10.00%	0.94%	0.09%
Cash and Short Duration (Net)	<u>2.00%</u>	0.34%	<u>0.01%</u>
Total Expected Real Return	<u>100.00%</u>		5.03%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.28%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the sensitivity of the County's proportionate share of the net pension liability of the Plans as of the June 30, 2017, measurement date to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% lower (6.25 percent) or 1% higher (8.25 percent) than the current rate:

<u>Retirement System</u>	<u>1.0% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1.0% Increase (8.25%)</u>
County's Proportionate Share of the Net Pension Liability of the SCRS	\$ 36,139,523	\$ 28,282,296	\$ 22,665,132
County's Proportionate Share of the Net Pension Liability of the PORS	\$ 31,752,985	\$ 23,553,444	\$ 16,837,330

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 11 - Retirement Plans (continued)

Payable to Plans

The County reported payables of \$247,186 and \$266,927 to PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019, for the SCRS and PORS, respectively.

Note 12 - Post Employment Health Care Benefits

Plan Description

In addition to providing pension benefits, the County's defined benefit single-employer post-employment healthcare plan (the Plan) provides health insurance benefits to eligible retirees and their eligible dependents. Employees become eligible when the employee qualifies for retirement benefits under the South Carolina Retirement Systems and has at least 5 years of service with the County. Information regarding South Carolina Retirement Systems eligibility may be obtained from the Comprehensive Annual Financial Report of the Retirement Systems (see Note 11). The Plan is approved by policy of County Council; the contribution requirements of the County and plan members are established and may be amended by Council. These contributions are neither guaranteed nor mandatory. Council has the right to unilaterally modify its payments toward retiree health care benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement #75. As of June 30, 2018, the actuarial measurement date for the fiscal year 2019 plan year, there were 682 covered participants, including 563 active employees, and 119 retirees (and/or their beneficiaries and spouses receiving benefits).

Stand-alone financial reports are not prepared for the Plan.

Funding Policy

The County's Plan offers medical and basic dental benefits to retirees and their spouses. Effective January 1, 2018, the County implemented a predominantly self-insured plan for all active employees and Pre-Medicare eligible retirees. Retirees are eligible to receive benefits for life. Covered spouses and beneficiaries are eligible to receive benefits for life after the death of the retiree.

The schedule below reflects contributions required of the retiree depending on length of service and coverage elections for calendar year 2019. Group 1 includes present active employees who were hired before July 1, 2005, and current retirees. Group 2 includes present active employees who were hired on or after July 1, 2005.

The employer amounts shown for the Pre-Medicare eligible group are estimates of amounts required to fund the self-insurance plan for those individuals; however, actual claims costs incurred by the County may vary.

For the Medicare eligible retirees, the County contributes the amounts shown below to Retiree Health Reimbursement Accounts (RHRA) for the benefit of the retirees. From the RHRA accounts, Medicare Supplement policies, Medicare Part D policies, and flex-spending plan benefits are provided. Any additional costs over the employer contributions will be billed to the retiree.

	Pre-Medicare Eligible			Medicare Eligible		
	Retiree	Employer	Total	Retiree	Employer	Total
<u>Group 1</u>						
Less than 10 Years County Service						
Retiree Only Coverage	\$ 500.38	\$ --	\$ 500.38	\$ --	\$ --	\$ --
Retiree/Spouse Coverage	1,051.04	--	1,051.04	--	--	--
Retiree/Children Coverage	761.92	--	761.92	--	--	--
10 – 24 Years County Service						
Retiree Only Coverage	\$ 97.68	\$ 402.70	\$ 500.38	\$ --	\$ 402.70	\$ 402.70
Retiree/Spouse Coverage	648.34	402.70	1,051.04	--	402.70	402.70
Retiree/Children Coverage	359.22	402.70	761.92	--	402.70	402.70

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 12 - Post Employment Health Care Benefits (continued)

	Pre-Medicare Eligible			Medicare Eligible		
	Retiree	Employer	Total	Retiree	Employer	Total
<u>Group 1 (continued)</u>						
25 or More Years County Service						
Retiree Only Coverage	\$ 97.68	\$ 402.70	\$ 500.38	\$ --	\$ 402.70	\$ 402.70
Retiree/Spouse Coverage	253.36	797.68	1,051.04	--	797.68	797.68
Retiree/Children Coverage	143.86	618.06	761.92	--	618.06	618.06
<u>Group 2</u>						
Less than 25 Years County Service						
Retiree Only Coverage	\$ 500.38	\$ --	\$ 500.38	\$ N/A	\$ N/A	\$ N/A
Retiree/Spouse Coverage	1,051.04	--	1,051.04	N/A	N/A	N/A
Retiree/Children Coverage	761.92	--	761.92	N/A	N/A	N/A
25 or More Years County Service						
Retiree Only Coverage	\$ 97.68	\$ 402.70	\$ 500.38	\$ N/A	\$ N/A	\$ N/A
Retiree/Spouse Coverage	253.36	797.68	1,051.04	N/A	N/A	N/A
Retiree/Children Coverage	143.86	618.06	761.92	N/A	N/A	N/A

The stated retiree and employer premium breakdown above is similar with that adopted by the State of South Carolina for state employees.

Total OPEB Liability

The County's total OPEB liability of \$30,882,038 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00%
PORS	3.50%
Municipal Bond Index rate	
Prior measurement date	3.56%
Measurement date	3.87%
Health care cost trends	
Pre-Medicare medical and prescription drugs	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate used to measure the total OPEB liability was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index published on the last day for the month of June.

Mortality rates were based on the 2016 Experience Study adopted by SCRS and PORS.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the July 1, 2018, valuation were based on results of the 2016 actuarial experience study adopted by SCRS and PORS.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 12 - Post Employment Health Care Benefits (continued)

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2018, valuation were based on a review of recent plan experience done concurrently with the July 1, 2018, valuation.

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

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate, the following table presents the plan's total OPEB liability, calculated using the assumed trend rates, as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 26,342,339	\$ 30,882,038	\$ 36,572,864

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following table presents the plan's total OPEB liability, calculated using a discount rate of 3.56%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 36,059,176	\$ 30,882,038	\$ 26,688,353

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2017	\$ 28,770,236
Changes for the year:	
Service costs at the end of the year*	720,950
Interest on total OPEB liability and cash flows	1,008,978
Change in benefit terms	--
Difference between expected and actual experience	2,106,889
Changes in assumptions or other inputs	(861,149)
Net benefit payments and implicit subsidy credit**	(863,866)
Other	--
Total OPEB Liability as of June 30, 2018	<u>\$ 30,882,038</u>

* The service cost includes interest for the year.

** The net benefit payments shown above include \$52,900 implicit subsidy.

There were no changes in benefit terms since the prior measurement date.

Change in assumption is due to the change in the discount rate and medical trend.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 12 - Post Employment Health Care Benefits (continued)

OPEB Expense

The calculation of OPEB Expense for the year ended June 30, 2019, is shown in the following table:

Service cost at the end of year*	\$ 720,950
Interest on the total OPEB liability and cash flow	1,007,387
Current period benefit changes	--
Expensed portion of current period difference between expected and actual experience in the total OPEB liability	333,133
Expensed portion of current period changes of assumptions or other inputs**	(130,477)
Administrative costs	--
Other	--
Recognition of beginning deferred outflows of resources as OPEB expense	16,315
Recognition of beginning deferred inflows of resources as OPEB expense**	<u>(387,848)</u>
Net OPEB Expense	<u>\$ 1,559,460</u>

* The service cost includes interest for the year.

** These items are negative because they lower the OPEB expense.

Certain expense items are recognized over closed periods each year. The deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense, they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB expense, they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts.

Deferred Outflows and Inflows of Resources

The following table provides a summary of the deferred outflows of resources and deferred inflows of resources as of the June 30, 2018, measurement date, and benefits paid after the measurement date during the fiscal year ended June 30, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,949,897	\$ --
Changes of assumptions or other inputs	--	2,735,846
Benefits paid after the measurement date	<u>1,015,927</u>	<u>--</u>
Total	<u>\$ 2,965,824</u>	<u>\$ 2,735,846</u>

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 12 - Post Employment Health Care Benefits (continued)

The \$1,015,927 reported as deferred outflows related to OPEB benefits paid after the measurement date will be recognized as a reduction of the total OPEB liability and included in OPEB expense in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will increase (decrease) future OPEB expense as follows:

Measurement period ending:

June 30, 2019	\$ (168,877)
June 30, 2020	(168,877)
June 30, 2021	(168,877)
June 30, 2022	(168,877)
June 30, 2023	(168,877)
Thereafter	<u>58,436</u>
Total	<u>\$ (785,949)</u>

Note 13 - Commitments

The County had the following commitments represented by open purchase orders with vendors and service providers at June 30, 2019:

Governmental Activities

General Fund encumbrances	\$ 101,887
Law Enforcement Fund encumbrances	52,493
Capital Improvement Plan Projects Fund encumbrances	3,956,052
Other Governmental Funds encumbrances	<u>4,646,871</u>
Total	<u>\$ 8,757,303</u>

Business-Type Activities

Environmental Services Fund encumbrances	\$ 3,161,716
Stormwater Drainage Utility Fund encumbrances	<u>1,771,779</u>
Total	<u>\$ 4,933,495</u>

Included in the encumbered amounts above for the Capital Improvement Plan Projects Fund are the following significant projects:

- Tax billing and collection system with commitments in the amount of \$330,847.
- Brick Chimney Road engineering design with commitments in the amount of \$123,086.
- Dunbar Community Center building project with commitments in the amount of \$101,806.
- Andrews Regional Recreation Center construction project with commitments in the amount of \$2,768,997.
- Land use planning corridor companion study with commitments in the amount of \$196,410.

Included in the encumbered amounts above for Other Governmental Funds include:

- Purchase of two ambulances, one fire ladder truck, and four service trucks in the amount of \$1,985,290 for Midway Fire and Rescue.
- Purchase of two heavy duty service trucks in the amount of \$139,878 for First Vehicle Services.
- Purchase of 911 communications equipment and software in the amount of \$376,334.
- Road paving and improvements projects in the amount of \$1,183,084.
- Engineering survey and analysis for potential channel dredging in Murrells Inlet in the amount of \$104,937.

Included in the encumbered amounts above for the Environmental Services Fund are commitments in the amount of \$2,701,366 for a landfill expansion project, and \$67,268 for a C&D landfill closure project.

The encumbered amounts disclosed above for the Stormwater Drainage Utility Fund are for various stormwater system improvement projects.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 14 - Landfill Closure and Postclosure Care Costs

The County operates a municipal solid waste landfill and a construction and demolition waste landfill. It also is responsible for a closed municipal solid waste landfill and a closed industrial waste landfill. Federal and State laws and regulations require that the County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at closed landfill sites for thirty years after closure. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are recognized based on future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the liability for landfill closure and post closure care costs is based on the percentage of landfill capacity used to date applied to the estimated future costs to close the landfills and to maintain and monitor the landfills subsequent to their closure.

Changes in the County's estimated liability for closure and postclosure care costs during the year ended June 30, 2019, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Active MSW Landfill	\$ 7,094,582	\$ 740,121	\$ --	\$ 7,834,703
Closed C&D Landfill	1,722,894	--	(1,144,643)	578,251
Closed MSW Landfill	835,560	--	(69,630)	765,930
Closed Maryville "Industrial" Landfill	<u>23,575</u>	<u>--</u>	<u>(20,640)</u>	<u>2,935</u>
Totals	<u>\$ 9,676,611</u>	<u>\$ 740,121</u>	<u>\$ (1,234,913)</u>	<u>\$ 9,181,819</u>

A summary of estimated remaining closure and postclosure care costs to be recognized for the County's current landfills follows:

	<u>Total Current Estimated Costs</u>	<u>Costs Recognized through 6/30/2019</u>	<u>Remaining Costs to be Recognized</u>	<u>Estimated Remaining Life</u>
Active MSW Landfill (Capacity Used to Date: 55.29%)	\$ 14,171,267	\$ 7,834,703	\$ 6,336,564	9 Years
Closed C&D Landfill	578,251	578,251	--	None
Closed MSW Landfill (net)	1,005,513	1,005,513	--	None
Closed Maryville "Industrial" Landfill (net)	<u>85,302</u>	<u>85,302</u>	<u>--</u>	None
Totals	<u>\$ 15,840,333</u>	<u>\$ 9,503,769</u>	<u>\$ 6,336,564</u>	

The total estimated closure and postclosure care costs of \$15,840,333 is based on the amount that would be paid if all equipment, facilities, and services required to close, maintain and monitor the active, closed and permitted future landfills were paid out as of June 30, 2019. However, the estimated future costs of landfill closure and postclosure care, as determined by consulting engineers, are subject to changes such as the effects of inflation, revisions in laws and regulations, changes in technology, actual sequence of landfill development and closure, and other variables. It is anticipated that future inflation costs will be financed in part from earnings on investments. Other unanticipated costs may need to be covered by modifying charges to future landfill users, taxpayers, or both.

The County is required by federal and state laws to provide financial assurance that funds will be available when needed for closure and postclosure care costs through compliance with one of several approved alternative methods. The method utilized by the County is the local government financial test. At June 30, 2019, the County is in compliance with federal and state financial assurance requirements. Funds have been accumulated in the amount of \$9,181,819 to cover future costs of landfill closure and postclosure care. This amount, which is equal to the portion of costs recognized to date, is reported in the financial statements as restricted cash and investments.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 15 - Risk Management and Self-Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to protect against these risks of loss, the County pays insurance premiums to certain State agencies and commercial insurers to cover risks that may occur in normal operations. Management believes such coverage is sufficient to preclude any significant losses for the covered risks. The County has not had a significant reduction in insurance coverage in the last year and has not had any material settled claims in excess of coverage in the last three years.

Workers compensation losses are insured through the South Carolina Counties Workers Compensation Trust (SCCWCT), a self-sustaining public entity risk pool. The pool pays workers compensation losses and provides medical case management services for injured employees through a third party administrator.

The County is self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and then reimbursed by the County. No liability has been accrued at year-end for potential claims, as they are expected to be minimal.

Effective January 1, 2018, the County implemented a self-insured health benefits plan for its active and retired employees and eligible family members. All medical and dental claims are now paid directly by the County. These costs are then partially offset by contributions from employees and retirees. In addition, the County limits its exposure by purchase of "stop-loss" insurance coverage that will reimburse the County for annual claims that exceed \$200,000 per individual and \$6,969,127 in the aggregate. The stop-loss policy and limits are established on a calendar year basis. As of June 30, 2019, claims costs had not reached levels that would trigger reimbursements from the 2019 stop-loss policy; however some reimbursements had been received on the previous year's policy. In conjunction with the County's self-insured health plan, accounting standards require recognition of expenses and liabilities for claims incurred but not reported (IBNR claims) or processed for payment prior to fiscal year end. An estimate in the amount of \$608,726 was recorded for IBNR claims at June 30, 2019. This total liability included \$571,125 for governmental activities and \$37,601 for business-type activities.

Note 16 - Net Position and Fund Balances

Net position that was restricted at year-end as a result of enabling legislation in the government-wide statements is as follows:

Debt Service Fund	\$ 14,012,331
Nonmajor Governmental Funds	
Road Improvement	9,385,816
State Accommodations Tax	1,225,695

The following individual nonmajor governmental funds had deficit unassigned fund balances at June 30, 2019:

Public Safety Grants Fund	\$ (253,238)
Public Works Grants Fund	(135,202)
Economic Development Grants Fund	(3,737)

The deficits in the above grants funds resulted from expenditures incurred prior to year-end for which subsequent reimbursements did not meet accrual recognition criteria, or for which terms of the grant agreements did not yet allow for reimbursement.

Note 17 – Tax Abatements

The County enters into property tax abatement agreements with certain qualifying industries for the purpose of economic development pursuant to the authority granted by Title 12 Chapter 44, Title 4 Chapter 29, and/or Title 4 Chapter 12 of the South Carolina Code of Laws. Under the law, industries may negotiate for a fee-in-lieu of property taxes (FILOT) which can result in a savings on property taxes otherwise due for a project for which in turn the County benefits from the increased tax base and added jobs. The agreements may include both real and personal property.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 17 – Tax Abatements (continued)

The minimum investment amount to qualify for a FILOT agreement is \$2.5 million over a five-year period. Benefits to be received by the industries are a reduced assessment ratio from 10.5% down to 6 and a locked-in tax millage rate for up to 30 years, or in some cases, a 5 year average millage rate that is reset each five years. Investments over \$150 million may be eligible for a 4% assessment ratio. The annual FILOT amount is usually calculated in the same manner as ad-valorem property taxes by applying the locked in millage rate to the applicable assessed values. Alternatively, the annual payment may be for a fixed amount over the life of the FILOT agreement using a net present value calculation method.

The County may also provide special source revenue credits, or infrastructure credits, generally in conjunction with FILOT agreements, pursuant to the authority granted by Sections 4-29-68 and 4-1-170 of the South Carolina Code of Laws which can further reduce the amount of the FILOT due. Generally, property that receives special source revenue credits, or infrastructure credits, is added to a "multi-county industrial park" pursuant to Sections 4-1-170 through 4-1-175 of the South Carolina Code of Laws. Inclusion in a multi-county industrial park, sometimes referred to as multi-county business parks, allows industries in certain circumstances to qualify for state jobs tax credits.

Should an industry, subject to a FILOT agreement, fail to meet the minimum statutory investment requirement within the five-year period, then the County may retroactively collect the balance of the property taxes due as if there had had never been a FILOT agreement in effect, and also collect the full tax amount of property taxes in future years.

Gross County taxes abated during the fiscal year ended June 30, 2019, were \$1,561,187. FILOT payments and billings, net of special source/infrastructure credits of \$173,345, were \$1,194,247, resulting in a net tax abatement amount of \$366,940. At year end, there were no unpaid amounts receivable in conjunction with fiscal year 2019 FILOT billings.

Note 18 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between governmental fund balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds." The details of this \$127,676,670 are as follows:

Capital Assets	\$ 254,336,998
Accumulated Depreciation	<u>(126,660,328)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 127,676,670</u>

Another element of that reconciliation is "deferred inflows of resources are reported in the governmental funds when receipt of revenues, such as property taxes receivable, court fines receivable, and ambulance fees receivable are not available to pay current period expenditures." The details of this \$1,852,933 are as follows:

Property Taxes included in "unavailable revenue" in Governmental Fund Statement	\$ 890,631
EMS Fees included in "unavailable revenue" in Governmental Fund Statement	575,612
Court Fines and Assessments included in "unavailable revenue" in Governmental Fund Statement	<u>386,690</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 1,852,933</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable (net of unamortized premiums and discounts), loans, capital leases, accrued interest, net OPEB obligation, net pension liability, and compensated absences not due and payable in the current period are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds." The details of the (\$149,592,965) are as follows:

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 18 - Reconciliation of Government-wide and Fund Financial Statements (continued)

G.O. Bonds Payable	\$ (22,200,000)
Installment Purchase Revenue Bonds Payable	(34,795,000)
Plus: Issuance Premium (to be amortized as interest expense)	(3,435,508)
Less: Issuance Discount (to be amortized as interest expense)	219,785
Accrued Interest Payable	(508,326)
Loan Payable	(112,159)
Capital Leases Payable	(9,510,444)
Net Pension Liability	(48,549,337)
Total OPEB Liability	(28,942,646)
Compensated Absences	<u>(1,759,330)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (149,592,965)</u></u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital asset acquisition costs as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$747,337) difference are as follows:

Capital Assets Acquisition Costs	\$ 8,853,559
Depreciation Expense	<u>(9,600,896)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (747,337)</u></u>

Another element of that reconciliation explains that "revenues in the statement of activities, such as property taxes, EMS fees, and court fines, that will not be collected for several months after year-end, and do not provide current financial resources, are not reported as revenues in the governmental funds." The details of this \$104,653 difference are as follows:

Property Taxes	\$ (57,221)
EMS Fees	(16,558)
Court Fines	<u>178,432</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 104,653</u></u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, loans and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the full amount of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$5,260,885 are as follows:

Debt Issued or Incurred:	
Issuance of Capital Lease Debt	\$ (831,299)
Principal Repayments:	
General Obligation Debt	1,225,000
Installment Purchase Revenue Debt	2,345,000

COUNTY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2019

Note 18 - Reconciliation of Government-wide and Fund Financial Statements (continued)

Principal Repayments (continued):

Capital Lease Debt	2,468,543
Loan Debt	<u>53,641</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 5,260,885</u>

Another element of that reconciliation states that "some expenses reported in the statement of activities, such as compensated absences, accrued interest, and amortization of bond premiums, discounts and refunding costs do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$355,005 difference are as follows:

Compensated Absences	\$ (196,540)
Accrued Interest	23,544
Amortization of Deferred Bond Refunding Costs	(155,219)
Amortization of Bond Premium	311,240
Amortization of Bond Discount	<u>(21,100)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (38,075)</u>

Note 19 - Subsequent Events

On December 2, 2019, the SCAGO Public Facilities Corporation for Georgetown County currently refunded in full the outstanding Series 2009A and 2009B installment purchase revenue bonds. The \$28,015,000 refunding installment purchase revenue bond issue has a blended interest rate of 3.40% and a final maturity of December 1, 2028. The SCAGO Public Facilities Corporation for Georgetown County installment purchase revenue bonds are not a debt of the County, however, as the Corporation is blended with the operations of the County, the debt of the Corporation is included with the County's other obligations as required by generally accepted accounting principles.

On December 5, 2019, the County issued general obligation bonds in the amount of \$10,000,000 to fund various projects in the Capital Improvements Plan fund. The true interest cost (TIC) rate on the bonds is 2.5%. Final principal maturity will be March 1, 2039.