

CITY OF BENNETTSVILLE, SOUTH CAROLINA

AUDITED BASIC FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEAR ENDED APRIL 30, 2016

WITH

REPORT OF INDEPENDENT AUDITOR

CITY OF BENNETTSVILLE, SOUTH CAROLINA

CITY OF BENNETTSVILLE, SOUTH CAROLINA

AUDITED BASIC FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEAR ENDED APRIL 30, 2016

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REPORT OF INDEPENDENT AUDITOR

CITY OF BENNETTSVILLE, SOUTH CAROLINA

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

A Professional Association Of

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

121 EXECUTIVE CENTER DRIVE, SUITE 206, COLUMBIA, SOUTH CAROLINA 29210
POST OFFICE BOX 1960, COLUMBIA, SOUTH CAROLINA 29202
FAX: (803) 216-9498

Columbia
Phone: (803) 772-5300

Myrtle Beach/Conway
Phone: (843) 488-5301

REPORT OF INDEPENDENT AUDITOR

The Honorable Mayor and Members of City Council
City of Bennettsville, South Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bennettsville, South Carolina (the "City"), as of and for the year ended April 30, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinions

Unmodified Opinion

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bennettsville, South Carolina, as of April 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in *Note 16* to the financial statements, the Governmental Activities and Business-type activities and the Proprietary Fund financial statements have been restated as a result of the City implementing a new GASB accounting standard. My opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying other financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Bennettsville, South Carolina.

The other financial information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements and other financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Summarized Comparative Information

The prior year summarized comparative information presented in the individual fund financial statements and schedules has been derived from the City's 2015 audited financial statements, and in my report dated November 11, 2015, I expressed an unmodified opinion on those financial statements.


September 28, 2016
Columbia, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BENNETTSVILLE, SOUTH CAROLINA

City of Bennettsville, South Carolina
Management's Discussion and Analysis
Year Ended April 30, 2016

This section of the City of Bennettsville, South Carolina's (the "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on April 30, 2016. Please read it in conjunction with City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Per the Government-wide *Statement of Net Position*, the City's total assets at year end April 30, 2016 were \$40.1 million and total liabilities equaled \$25.2 million. Total deferred outflows exceeded total deferred inflows by \$753,581. Of the total net position at April 30, 2016, (equaling \$15.7 million), unrestricted deficit amounts were not available to support short term operations of the City primarily due to the City's net pension obligation liability.

Per the Government-wide *Statement of Activities*, the City's total net position decreased by \$674,040 for the year ended April 30, 2016. The Governmental Activities resulted in a net decrease of \$191,230, while the Business-type Activities decreased net position in the amount of \$482,810, which included a transfer of \$1.7 million to the Governmental Activities during the year.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City's basic financial statements. Those financial statements have three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis of accounting when the underlying event gives rise to the change that occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., revenues receivable and earned but unused vacation leave).

Overview of the Financial Statements (continued)

Government-Wide Financial Statements (continued) – Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (i.e., *governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (i.e., *business-type activities*). The “governmental activities” of the City include general government, public safety, public works, culture and recreation, and interest. The “business-type” activities of the City include a Combined Utility Enterprise Fund. The Government-wide financial statements can be found immediately following the discussion and analysis.

Fund Financial Statements – The “Fund financial statements” provide a more detailed look at the City’s most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. Most of the City’s governmental services are accounted for in the Governmental funds. However, unlike the Government-wide financial statements, these funds focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. The Governmental Fund financial statements can be found immediately following the ‘Government-wide’ financial statements.

Proprietary funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Government-wide financial statements. The City uses enterprise funds to account for its combined electric, gas, water and sewer utility. Proprietary funds provide the same type of information and the same basis of accounting as the Government-wide financial statements business type activities, only in more detail. The basic Proprietary Fund financial statements can be found immediately following the ‘Governmental Fund’ financial statements.

Notes to Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the Government-wide and Fund financial statements.

Required Supplementary Information – The City adopts an annual appropriated budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget, and can be found in the section entitled “Required Supplementary Information”.

Overview of the Financial Statements (continued)

Other Financial Information – Following the basic financial statements, the notes to financial statements and the required supplementary information, this annual financial report also presents certain detail financial data of individual fund statements and schedules.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$15.7 million at the close of April 30, 2016.

Below is a ‘condensed’ Statement of Net Position at April 30, 2016, which depicts the major components of the City’s assets, liabilities and net position (with comparative amounts for April 30, 2015).

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Cash and cash equivalents:						
Unrestricted	\$ 450,371	\$ 256,530	\$ 338,653	\$ 243,020	\$ 789,024	\$ 499,550
Restricted	176,134	550,572	3,251,853	3,414,330	3,427,987	3,964,902
Equity in pooled cash	1,381,707	1,300,554	120,230	301,190	1,501,937	1,601,744
Investments	—	—	1,681,443	1,690,787	1,681,443	1,690,787
Other current assets	618,388	623,636	2,331,369	2,500,878	2,949,757	3,124,514
Internal balances	2,056,974	2,058,702	(2,056,974)	(2,058,702)	—	—
Capital assets, net of accumulated depreciation	6,938,223	7,215,728	22,864,976	23,576,363	29,803,199	30,792,091
Total assets	11,621,797	12,005,722	28,531,550	29,667,866	40,153,347	41,673,588
Deferred Outflows Resources						
Pension related	901,886	—	469,345	—	1,371,231	—
Liabilities						
Current liabilities	1,024,776	1,196,663	1,496,845	1,576,352	2,521,621	2,773,015
Non-current liabilities	6,563,449	999,281	16,096,421	13,156,739	22,659,870	14,156,020
Total liabilities	7,588,225	2,195,944	17,593,266	14,733,091	25,181,491	16,929,035
Deferred Inflows of Resources						
Pension related	451,990	—	209,987	—	661,977	—
Net Position						
Net investment in capital assets	6,148,952	6,216,447	10,344,340	10,419,624	16,493,292	16,636,071
Restricted	1,281,892	1,387,509	3,721,198	2,902,078	5,003,090	4,289,587
Unrestricted (deficit)	(2,947,376)	2,205,822	(2,867,896)	1,613,073	(5,815,272)	3,818,895
Total net position	\$ 4,483,468	\$ 9,809,778	\$ 11,197,642	\$ 14,934,775	\$ 15,681,110	\$ 24,744,553

By far the largest portion of the City’s net position (\$16.5 million) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending.

Government-Wide Financial Analysis (continued)

The Governmental Activities total net position deficit (\$4,483,468) consists of net investment in capital assets (\$6,148,952), restricted (\$1,281,892), and unrestricted deficit of \$2,947,376 at the end of 2016. The Business-type Activities total net position (\$11,197,642) consists of net investment in capital assets (\$10,344,340), restricted (\$3,721,198), and unrestricted deficit of \$2,867,896 at the end of 2016.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Also a portion of the City's total net position, \$5,003,090, represents resources that are subject to external restrictions on how they may be used, which includes resources for the City's pension, housing, community development, capital projects and debt service. The remaining balance of *unrestricted net position* (if positive) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's components of changes in net position (condensed from the Statement of Activities) for FY 2016 and FY 2015 are illustrated in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenue:						
Charges for services	\$ 1,113,265	\$ 1,183,184	\$15,160,170	\$17,199,562	\$16,273,435	\$18,382,746
Operating grants and contributions	36,433	—	—	—	36,433	—
Capital grants and contributions	264,148	—	73,757	417,695	337,905	417,695
General revenue:						
Property taxes and L.O.S.T	1,844,976	1,839,274	—	—	1,844,976	1,839,274
State shared and unallocated intergovernmental	836,254	949,664	—	—	836,254	949,664
Licenses and franchise fees	805,571	848,112	—	—	805,571	848,112
Other	192,735	(27,034)	16,670	40,919	209,405	13,885
Total revenue	5,093,382	4,793,200	15,250,597	17,658,176	20,343,979	22,451,376
Expenses						
General government	1,330,368	1,366,357	—	—	1,330,368	1,366,357
Public safety	3,477,176	3,299,160	—	—	3,477,176	3,299,160
Public works	1,664,834	1,623,893	—	—	1,664,834	1,623,893
Culture and recreation	489,876	454,758	—	—	489,876	454,758
Interest	22,358	16,814	—	—	22,358	16,814
Combined utility	—	—	14,033,407	15,348,723	14,033,407	15,348,723
Total expenses	6,984,612	6,760,982	14,033,407	15,348,723	21,018,019	22,109,705
Transfers	1,700,000	1,700,000	(1,700,000)	(1,700,000)	—	—
Changes in net position	(191,230)	(267,782)	(482,810)	609,453	(674,040)	341,671
Beginning net position	4,674,698	10,077,560	11,680,452	14,325,322	16,355,150	24,402,882
Cumulative effect of restatement	—	(5,135,080)	—	(3,254,323)	—	(8,389,403)
Ending net position	\$ 4,483,468	\$ 4,674,698	\$11,197,642	\$11,680,452	\$15,681,110	\$16,355,150

Government-Wide Financial Analysis (continued)

Net position in Governmental Activities had a total decrease in 2016 of \$191,230, compared to a decrease of \$267,782 in 2015. This was primarily due to the City's efforts to manage spending with relatively flat revenue. Net position in Business-type Activities decreased \$482,810 in 2016 and increased \$609,453 in 2015 primarily due to a mild winter which resulted in less electric and gas usages. Both periods included transfers to the Governmental Activities of \$1,700,000 in 2016 and 2015, respectively.

Key Governmental Activities highlights are as follows: Total program revenue increased by \$230,662 in 2016 primarily due to increase in grants while general revenues decreased slightly. Total Governmental Activities revenues equaled \$5.1 million in 2016 compared to \$4.8 million in 2015 or a 6.2% increase. Total Governmental Activity expenses in 2016 equaled \$6.9 million compared to \$6.7 million in 2015, or a 2.7% increase.

Key Business-type Activity highlights are as follows: Total program revenue decreased by \$2.4 million (or 13.5%) between 2016 and 2015 primarily due to seasonal temperature variations between years. The major cost drivers for the electric and gas systems are the costs of electricity and gas purchased for resale to the City's customers. Overall system demand was less in 2016. Total Business-type expenses equaled \$14.0 million in 2016 as compared to \$15.3 million in 2015, or a 8.6% decrease.

Expenses and Program Revenues – Governmental Activities – Governmental expenses (totaling \$6.9 million) are funded in part by program-specific revenues of fees for services, grants and contributions. As shown below, Governmental Activities were overall funded by 20.2% 'program revenues', leaving 79.8% to be funded by 'general revenues'. From the Statement of Activities, the following table details this activity for the City.

	(Expenses)	Program Revenue	Net (Expense)	% Funded by Program Revenues	% Required to be Funded by General Revenues
General government	\$ (1,330,368)	\$ —	\$ (1,330,368)	—	100.0%
Public safety	(3,477,176)	263,790	(3,213,386)	7.6%	92.4%
Public works	(1,664,834)	1,135,150	(529,684)	68.2%	31.8%
Culture and recreation	(489,876)	14,906	(474,970)	3.0%	97%
Interest	(22,358)	—	(22,358)	—	100.0%
Totals	\$ (6,984,612)	\$ 1,413,846	\$ (5,570,766)	20.2%	79.8%

Government-Wide Financial Analysis (continued)

General Revenues by Source – Governmental Activities

As shown in the table on the preceding page, General Revenues funded the City's Governmental Activities by 79.8% in the following categories.

	<u>2016</u>	<u>2015</u>
Property taxes and L.O.S.T	\$ 1,844,976	\$ 1,839,274
Accommodation and hospitality taxes	344,839	328,830
State shared revenue	491,415	620,834
Licenses and franchise fees	805,571	848,112
Investment earnings	10,414	646
Miscellaneous	182,321	(27,980)
Transfer in the Utility Fund	1,700,000	1,700,000
Total	<u>\$ 5,379,536</u>	<u>\$ 5,310,016</u>

Overall, the City experienced a 1.3% increase in General Revenues in 2016 as compared to 2015.

Expenses and Program Revenues – Business-type Activities – The City's Combined Utility Enterprise Fund that comprises its Business-type Activities is used for all resources associated with supplying electricity, natural gas, water and providing sewage services to domestic, business and industrial customers within the City limits as well as some of the surrounding unincorporated areas of Marlboro County. Operating revenues totaled \$15.1 million in 2016 (as compared to \$17.2 million in 2015) and includes electric sales of \$9.4 million, natural gas sales of \$1.9 million, water sales of \$1.6 million plus \$1.8 million from sewer services, with the balance consisting of penalties, reconnect fees and other revenues. Operating expenses totaled \$13.6 million in 2016 as compared to \$15.0 million in 2015. Operating income at year ended April 30, 2016, totaled \$1.5 million (as compared to \$2.2 million in 2015) which resulted in a decline in electric and gas usage due to a mild winter, but includes a significant improvement and stability in electric revenue primarily due to an electric rate design adjustment increasing purchased power cost recovery. The system has seen no significant growth in its customer base or consumption patterns.

General Fund Financial Analysis and Budgetary Highlights

Of the City's Governmental Funds, the City's General Fund is the primary (and major) fund. The General Fund's 'final' budgeted revenues totaled \$4,499,400 actual revenues achieved equaled \$4,489,170 or \$10,230 less than budget. The City had actual General Fund expenditures of \$6,472,253, compared to a 'final' budget of \$6,519,352 for a favorable variance of \$47,099 for the fiscal year ended April 30, 2016.

General Fund Financial Analysis and Budgetary Highlights (continued)

Increases in the cost of gas, diesel fuel, contributed significantly to the over original budget expenditures in the General Fund for Public Safety and Public Works. Also, increased actual costs for capital outlay contributed to non-favorable original budget to actual variances in the General Fund.

Details of the City's General Fund budget are shown in the section entitled "Required Supplementary Information" which follows the "Notes to Financial Statements" in this report. Below is a 'condensed' summary budget-to-actual table for fiscal year 2016 compared to 2015 actual amounts achieved.

General Fund	2016		Variances Over (Under)	2015
	Final Budget	Actual		Actual
Revenue				
Property taxes	\$ 1,002,000	\$ 1,112,613	\$ 110,613	\$ 1,076,678
Local option sales tax	772,000	732,363	(39,637)	762,596
Licenses, permits and franchise fees	838,200	805,571	(32,629)	848,112
Fines and forfeitures	210,000	175,754	(34,246)	204,985
Intergovernmental	506,000	543,018	37,018	577,369
Charges for services	944,500	905,780	(38,720)	946,834
User fees	34,200	31,731	(2,469)	31,365
Interest income and other	192,500	182,340	(10,160)	117,266
Total revenue	<u>4,499,400</u>	<u>4,489,170</u>	<u>(10,230)</u>	<u>4,565,205</u>
Expenditures				
Current:				
General government	1,096,427	990,912	(105,515)	991,533
Public safety	3,262,632	3,247,397	(15,235)	3,164,487
Public works	1,544,172	1,583,183	39,011	1,548,585
Culture and recreation	364,861	365,061	200	337,410
Capital outlay	21,200	53,332	32,132	98,562
Debt service	230,060	232,368	2,308	308,056
Total expenditures	<u>6,519,352</u>	<u>6,472,253</u>	<u>(47,099)</u>	<u>6,448,633</u>
Excess (deficiency) of revenue over (under) expenditures	(2,019,952)	(1,983,083)	36,869	(1,883,428)
Other financing sources and (uses)	2,073,600	2,073,600	—	2,843,850
Net change in fund balance	<u>\$ 53,648</u>	<u>\$ 90,517</u>	<u>\$ 36,869</u>	<u>\$ 960,422</u>

General Fund Financial Analysis and Budgetary Highlights (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of April 30, 2016, the City’s investment in capital assets for its Governmental Activities totaled \$13.3 million, less accumulated depreciation of \$6.4 million for a net carrying value of \$6.9 million. For its Business-type Activities, total investment in capital assets equaled \$44.7 million, less accumulated depreciation of \$21.8 million for a net carrying value of \$22.9 million. The City’s investment in capital assets includes land, buildings, utility system improvements, machinery and equipment, park facilities, vehicles and furniture. The City’s significant capital asset acquisition for the Governmental Activities was new public safety vehicles and City sidewalk improvements. The Business-type Activities (Combined Utility Fund), acquired vehicles and equipment during the year and is continuing with its major capital improvement plan for system infrastructure. Additional information on the City’s Capital Assets can be found in *Note 6* of this report.

Long-Term Debt – The City issued Series 2014 General Obligation Bonds totaling \$855,000. Total outstanding general obligation debt equaled \$730,000 at April 30, 2016, and along with a portion of an installment note payable, the City had total outstanding debt of \$789,271 for the Governmental Activities at April 30, 2016. At April 30, 2016, the Business-type Activities had long-term debt outstanding \$12.4 million consisting of Series 2009A & B State Revolving Fund Loans (\$2.9 million) and Series 2013 Revenue Bonds (\$9.4 million), plus a portion of an installment note payable. Additional information on the City’s long-term debt can be found in *Note 7* of this report.

The City also implemented GASB #68 for its proportionate share of employee pension obligations in 2016. Net pension obligations at April 30, 2016 totaled \$5.7 million for Governmental Activities and \$3.6 million for Business-type Activities for a combined total of \$9.3 million.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, City of Bennettsville, South Carolina.

BASIC FINANCIAL STATEMENTS

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

APRIL 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets and Deferred Outflows			
Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 450,371	\$ 338,653	\$ 789,024
Restricted	176,134	3,251,853	3,427,987
Equity in pooled cash	1,381,707	120,230	1,501,937
Investments	—	1,681,443	1,681,443
Receivables, net:			
Accounts and notes	239,242	1,751,353	1,990,595
Due from other governments, net	326,446	—	326,446
Internal balances, net	2,056,974	(2,056,974)	—
Inventories and prepaid items	52,700	580,016	632,716
Capital assets:			
Nondepreciable	326,402	506,661	833,063
Depreciable, net	6,611,821	22,358,315	28,970,136
Total assets	<u>11,621,797</u>	<u>28,531,550</u>	<u>40,153,347</u>
Deferred Outflows of Resources:			
Pension related	901,886	469,345	1,371,231
Total deferred outflows	<u>901,886</u>	<u>469,345</u>	<u>1,371,231</u>
Total Assets and Deferred Outflows	<u>\$ 12,523,683</u>	<u>\$ 29,000,895</u>	<u>\$ 41,524,578</u>
Liabilities, Deferred Inflows and Net Position			
Liabilities:			
Accounts payable	\$ 74,185	\$ 706,272	\$ 780,457
Accrued payroll and other payables	60,445	36,080	96,525
Accrued interest payable	—	96,116	96,116
Customer deposits and prepayments	543,226	470,429	1,013,655
Accrued compensated absences	346,920	187,948	534,868
Bonds and notes payable - due in less than one year	157,271	573,682	730,953
Bonds and notes payable - due in more than one year	632,000	11,946,954	12,578,954
Net pension obligations	5,774,178	3,575,785	9,349,963
Total liabilities	<u>7,588,225</u>	<u>17,593,266</u>	<u>25,181,491</u>
Deferred Inflows of Resources:			
Pension related	451,990	209,987	661,977
Total deferred inflows	<u>451,990</u>	<u>209,987</u>	<u>661,977</u>

— CONTINUED —

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

— CONTINUED —

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities, Deferred Inflows and Net Position (continued)			
Net position:			
Net investment in capital assets	6,148,952	10,344,340	16,493,292
Restricted for:			
Pensions	901,886	469,345	1,371,231
Debt and capital projects	—	3,251,853	3,251,853
Housing and community development	298,124	—	298,124
Fire and law enforcement activities	81,882	—	81,882
Unrestricted (deficit)	<u>(2,947,376)</u>	<u>(2,867,896)</u>	<u>(5,815,272)</u>
Total net position	<u>4,483,468</u>	<u>11,197,642</u>	<u>15,681,110</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,523,683</u>	<u>\$ 29,000,895</u>	<u>\$ 41,524,578</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2016

Functions and Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Fees for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ (1,330,368)	\$ —	\$ —	\$ —	\$ (1,330,368)	\$ —	\$ (1,330,368)
Public safety	(3,477,176)	175,754	36,433	51,603	(3,213,386)	—	(3,213,386)
Public works	(1,664,834)	922,605	—	212,545	(529,684)	—	(529,684)
Culture and recreation	(489,876)	14,906	—	—	(474,970)	—	(474,970)
Interest	(22,358)	—	—	—	(22,358)	—	(22,358)
Total governmental activities	<u>(6,984,612)</u>	<u>1,113,265</u>	<u>36,433</u>	<u>264,148</u>	<u>(5,570,766)</u>	<u>—</u>	<u>(5,570,766)</u>
Business-type activities:							
Combined utility	(14,033,407)	15,160,170	—	73,757	—	1,200,520	1,200,520
Total business-type activities	<u>(14,033,407)</u>	<u>15,160,170</u>	<u>—</u>	<u>73,757</u>	<u>—</u>	<u>1,200,520</u>	<u>1,200,520</u>
Total functions and programs	<u>\$ (21,018,019)</u>	<u>\$ 16,273,435</u>	<u>\$ 36,433</u>	<u>\$ 337,905</u>	<u>(5,570,766)</u>	<u>1,200,520</u>	<u>(4,370,246)</u>
General Revenue and Transfers							
General Revenue:							
Property taxes and L.O.S.T.							
					1,844,976	—	1,844,976
Accommodation and hospitality taxes							
					344,839	—	344,839
State shared and intergovernmental (unrestricted)							
					491,415	—	491,415
Business licenses and other franchise fee/tax							
					805,571	—	805,571
Unrestricted investments earnings							
					10,414	12,812	23,226
Miscellaneous							
					182,321	3,858	186,179
Transfers in (out)							
					1,700,000	(1,700,000)	—
					<u>5,379,536</u>	<u>(1,683,330)</u>	<u>3,696,206</u>
Changes in net position					(191,230)	(482,810)	(674,040)
Net Position – beginning of year (as restated, <i>See Note 16</i>)					<u>4,674,698</u>	<u>11,680,452</u>	<u>16,355,150</u>
Net Position – end of year					<u>\$ 4,483,468</u>	<u>\$ 11,197,642</u>	<u>\$ 15,681,110</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

APRIL 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents:			
Unrestricted	\$ 61,987	\$ 388,384	\$ 450,371
Restricted	40,206	135,928	176,134
Equity in pooled cash	1,381,707	—	1,381,707
Receivables:			
Property taxes	252,419	—	252,419
Other and notes	184,455	1,090,622	1,275,077
Less, allowances for doubtful accounts	(401,504)	(210,622)	(612,126)
Due from other governments	326,446	—	326,446
Due from other funds	2,668,022	—	2,668,022
Inventory and prepaid items	52,700	—	52,700
Total assets	<u>\$ 4,566,438</u>	<u>\$ 1,404,312</u>	<u>\$ 5,970,750</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 74,185	\$ —	\$ 74,185
Accrued payroll and other payables	60,445	—	60,445
Due to other funds	—	611,048	611,048
Deferred revenue	148,524	—	148,524
Deposits	394,702	—	394,702
Total liabilities	<u>677,856</u>	<u>611,048</u>	<u>1,288,904</u>
Fund balances:			
Non-spendable	52,700	—	52,700
Restricted	354,496	1,015,928	1,370,424
Committed	—	—	—
Assigned	25,000	228,692	253,692
Unassigned (deficit)	3,456,386	(451,356)	3,005,030
Total fund balances	<u>3,888,582</u>	<u>793,264</u>	<u>4,681,846</u>
Total liabilities and fund balances	<u>\$ 4,566,438</u>	<u>\$ 1,404,312</u>	

— CONTINUED —

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

— CONTINUED —

**Reconciliation to amounts reported for governmental activities in the
Statement of Net Position (See Note 13):**

Total Governmental Funds fund balances	\$ 4,681,846
Capital assets, net of accumulation depreciation, used in governmental activities are not financial resources and therefore, are not reported in these funds.	6,938,223
Certain receivables are not financial resources and therefore, are not reported in these funds.	(676,128)
Certain deferred outflows related to pensions are not available to pay for current, expenditures and deferred inflows related to pensions are not due and payable in the current period and , therefore, are not reported in the funds.	449,896
Long-term liabilities, including bonds/notes payable, compensated absences and pension obligation are not due and payable in the current period and therefore are not reported in these funds.	<u>(6,910,369)</u>
Net position, end of year – Governmental Activities	<u>\$ 4,483,468</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes, penalties and fees	\$ 1,112,613	\$ —	\$ 1,112,613
Local options sales tax	732,363	—	732,363
Licenses, permits and franchise fees	805,571	—	805,571
Fines and forfeitures	175,754	—	175,754
Intergovernmental:			
Grants	51,603	212,545	264,148
Rural fire protection	—	36,433	36,433
Other intergovernmental	491,415	344,839	836,254
Charges for services – solid waste and lot clearing	905,780	—	905,780
User fees – community/fitness centers and other rent	31,731	—	31,731
Interest income	23	683	706
Other	182,317	—	182,317
Total revenue	<u>4,489,170</u>	<u>594,500</u>	<u>5,083,670</u>
Expenditures			
Current:			
General government	990,912	27,355	1,018,267
Public safety	3,247,397	—	3,247,397
Public works	1,583,183	—	1,583,183
Culture and recreation	365,061	106,693	471,754
Capital outlay	53,332	247,257	300,589
Debt service	232,368	—	232,368
Total expenditures	<u>6,472,253</u>	<u>381,305</u>	<u>6,853,558</u>
Excess (deficiency) of revenue over expenditures	(1,983,083)	213,195	(1,769,888)
Other Financing Sources (Uses)			
Transfers in	2,078,600	5,000	2,083,600
Transfers (out)	(5,000)	(378,600)	(383,600)
Total other financing sources (uses)	<u>2,073,600</u>	<u>(373,600)</u>	<u>1,700,000</u>
Net change in fund balances	90,517	(160,405)	(69,888)
Fund balances, beginning of year	3,798,065	953,669	4,751,734
Fund balances, end of year	<u>\$ 3,888,582</u>	<u>\$ 793,264</u>	<u>\$ 4,681,846</u>

— CONTINUED —

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
 GOVERNMENTAL FUNDS

— CONTINUED —

**Reconciliation to amounts reported for governmental activities in the
 Statement of Activities (See Note 13):**

Net change in fund balances – total governmental funds	\$ (69,888)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(277,505)
Certain revenues and expenses are not reported as source and uses of current financial resources. This is the amount of such accruals.	(53,847)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>210,010</u>
Change in Net Position – Governmental Activities	<u>\$ (191,230)</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

PROPRIETARY FUND

APRIL 30, 2016

	<u>Business-type Activities – Enterprise Fund Combined Utility</u>
Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents	\$ 338,653
Equity in pooled cash	120,230
Investments	1,681,443
Accounts receivable, net	1,751,353
Inventories and prepaid items	580,016
	<u>4,471,695</u>
Current restricted assets:	
Restricted cash and cash equivalents	3,251,853
Total current assets	<u>7,723,548</u>
Non-current assets:	
Capital assets, not subject to depreciation	506,661
Capital assets subject to depreciation	22,358,315
Total non-current assets	<u>22,864,976</u>
Deferred Outflows of Resources:	
Pension related	469,345
Total deferred outflows	<u>469,345</u>
Total assets and deferred outflows	<u>\$ 31,057,869</u>
Liabilities, Deferred Inflows and Net Position	
Current liabilities:	
Accounts payable	\$ 706,272
Accrued payroll and withholdings payable	36,080
Accrued interest payable	96,116
Due to General Fund	2,056,974
Customer deposits and prepayments	470,429
Bonds payable – current portion	498,246
Installment purchase contract – current portion	75,436
Total current liabilities	<u>3,939,553</u>
Long-term (non-current) liabilities:	
Accrued compensated absences	187,948
Revenue bonds payable	11,946,954
Net pension obligation	3,575,785
Total long-term liabilities	<u>15,710,687</u>
Total liabilities	<u>19,650,240</u>

— CONTINUED —

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

PROPRIETARY FUND

— CONTINUED —

	<u>Business-type Activities – Enterprise Fund Combined Utility</u>
Liabilities, Deferred Inflows and Net Position (continued)	
Deferred Inflows of Resources:	
Pension related	209,987
Total deferred inflows	<u>209,987</u>
Net position:	
Net investment in capital assets	10,344,340
Restricted for debt, capital projects and pensions	3,721,198
Unrestricted (deficit)	<u>(2,867,896)</u>
Total net position	<u>11,197,642</u>
Total liabilities, deferred inflows and net position	<u>\$ 31,057,869</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2016

	Business-type Activities – Enterprise Fund Combined Utility
Operating Revenue (pledged as security for notes and bonds)	
Sales and services:	
Water	\$ 1,602,499
Sewer	1,805,786
Electric	9,358,174
Gas	1,918,911
Penalties, reconnect fees and other revenue	474,800
Total operating revenue	15,160,170
Operating Expenses	
Water plant	943,000
Water distribution	326,839
Wastewater plant and collection	494,500
Sewer/Stormwater collection	160,930
Electricity purchase and transmission	7,727,234
Gas purchase and distribution	1,502,013
Administration and billing	668,096
Billing office	551,994
Non-departmental	65,934
Depreciation expense	1,185,130
Total operating expenses	13,625,670
Operating income	1,534,500
Non-Operating Revenue (Expenses)	
Interest income	12,812
Interest expense	(407,737)
Amortization of bond premium	3,858
Total non-operating revenue (expenses)	(391,067)
Income before contributions and transfers	1,143,433
Capital contributions	
Capital grants	30,000
Contributed capital	43,757
Total capital contributions	73,757
Transfers	
Transfers (out) to General Fund	(1,700,000)
Change in net position	(482,810)
Net position, beginning of year	14,934,775
Cumulative effect of restatement (See Note16)	(3,254,323)
Net position, end of year	\$ 11,197,642

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED APRIL 30, 2016

	<u>Business-type Activities– Enterprise Fund Combined Utility</u>
Cash Flows from Operating Activities	
Cash received from:	
Combined utility sales and services, penalties, reconnect fees and other revenue	\$ 15,034,982
Cash paid to (for):	
Employee salaries and related costs, and combined utility operations	(12,161,013)
Net cash provided by (used in) operating activities	<u>2,873,969</u>
Cash Flows from Non-capital Financing Activities	
Transfer to General Fund	(1,700,000)
Net cash provided by (used in) non-capital financing activities	<u>(1,700,000)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(473,743)
Capital grants	73,757
Interest paid on capital related debt	(411,698)
Principal payments under bonds and capital leases	(632,245)
Net cash provided by (used in) capital and related financing activities	<u>(1,443,929)</u>
Cash Flows from Investing Activities	
Interest received	12,812
Change in sales of investments, accrued income	9,344
Net cash provided by (used in) investing activities	<u>22,156</u>
Net increase (decrease) in cash and cash equivalents	(247,804)
Cash and cash equivalents, beginning of year (of which \$3,414,330 is restricted)	3,958,540
Cash and cash equivalents, end of year (of which \$3,251,853 is restricted)	<u>\$ 3,710,736</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,534,500
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	1,185,130
Changes in certain assets and liabilities:	
(Increase) decrease in accounts receivable	83,365
(Increase) decrease in inventory	86,144
Increase (decrease) in accounts payable/accrued expenses	(21,071)
Increase (decrease) in accrued compensated absences	(12,652)
Increase (decrease) in customer deposits	(41,823)
Increase (decrease) in internal balances due to other funds	(1,728)
(Increase) decrease in deferred outflows of resources	(219,887)
Increase (decrease) in deferred inflows of resources	(58,176)
Increase (decrease) in net pension obligation	340,167
Net cash provided by (used in) operating activities	<u>\$ 2,873,969</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Bennettsville, South Carolina (the “City”) was founded in 1819, under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule City Act). The City operates under the council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation – Basis of Accounting

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the City. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental Activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type Activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the General Fund as the “major” governmental fund and the Combined Utility Fund as the “major” proprietary fund.

A schedule of non-major funds is presented separately as part of Other Financial Information. Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Funds

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary fund.

Proprietary Funds

Enterprise Fund – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City operates a combined utility enterprise fund for its water, sewer, electricity and gas sales and services.

C. Measurement Focus, Basis of Accounting

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

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

The City's policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources then to unrestricted resources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases or installment note contract obligations are reported as other financing sources.

Taxes are billed in October and are payable at that time. Property taxes attach as enforceable liens on property as of December 31. All unpaid taxes levied become delinquent January 16 of the following year. Property tax revenues are recognized when levied to the extent that they result in current receivables. In keeping with the modified accrual method of accounting, it has been determined that taxes receivable should reflect only those deemed collectible within 60 days.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

Budgets and Encumbrances – Generally, budgets are adopted on a basis consistent with generally accepted accounting principles. A legal operating budget is prepared annually for the General Fund and Combined Utility Fund. Informal budgetary controls are maintained for other funds.

The City Administrator is authorized to administer the budget and transfer amounts within and between departments and funds as necessary and designate continuing projects from fund balances or additional unbudgeted revenue and transfers.

The General Fund operated under a final budget totaling \$6,519,352. Actual expenditures totaled \$6,472,253. The Combined Utility Fund operated under a budget totaling \$17,153,100. Actual operating expenses totaled \$13,625,670 (including a non-budgetary charge of \$1,185,130 for depreciation), non-operating expenses totaled \$391,067 and transfers out totaled \$1.7 million.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents and Investments

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable includes amounts due from other governments and is stated net of their allowance for uncollectible accounts.

Inventory

Inventory, consisting of materials and supplies for use in the City's combined utility system, is valued at cost or estimated historical cost on a first-in, first-out (FIFO) basis. Inventory consists of expendable supplies held for consumption. Reported inventory expenditures or expenses are recognized when inventories are consumed.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions result in loans or advances between individual funds. The lending fund reports amounts 'due from other funds', while the borrowing fund reports amounts 'due to other funds' and have been eliminated in the "Government-wide" financial statements. Such amounts between the Governmental activities and the Business-type activities are reported as "internal balances" on the Statement of Net Position.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Restricted Assets

Restricted accounts include monies or other resources, the use of which is restricted by legal or contractual requirements. In the Enterprise Fund restricted assets arise from certain bond and contract ordinances.

Capital Assets and Depreciation

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets, are reported in the applicable Governmental or Business-type Activities columns in the Government-wide financial statements. Capital assets of the City that are not specifically related to activities reported in proprietary or fiduciary funds have been reported as assets in the governmental funds column of the Government-wide financial statement. Capital assets are defined by the City as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Buildings	– 25 to 40 years
Improvements	– 10 to 20 years
Equipment	– 5 to 10 years
Combined utility systems	– 40 to 50 years

Interest costs incurred during the construction phase of capital assets are reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Long-term Obligations

In the Government-wide financial statements, and the 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 Position. Long-term debt represents unmatured principal of general obligation and revenue bond indebtedness, and outstanding portions due on long-term contracts. Other long-term obligations represent outstanding net present value portions due on capital lease obligations, and long-term portions of claims or judgments. Liabilities arising from interfund activities do not constitute general long-term liabilities. Bond issuance costs, as well as bond premiums and discounts, are expensed during the period pursuant to GASB Statement 65.

In the Governmental Fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs as expenditures of the current period. The face amount of the debt issued, along with any bond premium and discounts, is reported as Other Financing Sources.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Compensated Absences (Accrued Vacation and Sick Leave)

The vacation policy of the City is to provide for vacation leave annually depending on length of service. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The sick leave policy of the City is to provide for unlimited accumulation of earned sick leave. Sick leave does not vest. Since none of the entities have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the City.

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position for both the governmental and proprietary fund types displays three components – investment in capital assets, (net of related debt); restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represent the net position available for future operations.

In the Fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. "Nonspendable" fund balances include those amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. "Restricted" fund balances include those amounts that are legally restricted by outside parties, laws, governments, or enabling legislation for use for a specific purpose. "Committed" fund balances are amounts that can only be used for specific purposes due to constraints imposed by formal action of the City Council which is the City's highest level of decision making authority. "Assignments" of fund balance present management's intent, but are neither restricted nor committed. "Unassigned" fund balance is the residual classification representing fund balance that has not been restricted, committed, or assigned to a specific purpose.

Property Taxes

The City assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the mileage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes as of December 31 of each year. The basis for value of taxable property within the City is taken from the records of the Marlboro County Assessor. Taxes are levied on July 1 with the passage of the fiscal year budget and millage ordinance, billed in October, and are due by January 15 in the year following their levy. A penalty of 3% is added to the tax bill on January 16; with an additional 7% added on February 2; and an additional 5% added to the tax bill on March 17.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Property Taxes (continued)

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Department of Transportation and payment is due before the end of the month of the scheduled renewal.

For Government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. For Government Fund financial statements, City property tax revenues are recognized for the budget period to which they apply when they become measurable and available. Delinquent and unpaid property taxes are reported as receivables, less amounts estimated to be uncollectible.

Program and General Revenue

The City charges public fees for building permits and inspections, and admission fees for certain recreational activities. These fees as well as fines for traffic violations and grant revenues are recorded as program revenue in the Statement of Activities.

General revenue reported by the City include property taxes, state-shared taxes, business licenses and other government imposed non-exchange fees (e.g. franchise fees, which are general revenue fees in lieu of business licenses).

Unearned Revenue

In the Government-wide financial statements, and in the Governmental Fund and Proprietary Fund types, certain assets are recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability entitled unearned revenue. Unearned revenue in the Government-wide and in the Governmental Fund financial statements certain assets that are not yet available to finance expenditures for the current fiscal period are classified as unearned revenue.

Pensions

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Deferred Inflows/Outflows of Resources

Pursuant to GASB Concepts Statement No. 4, “deferred outflow of resources” is a consumption of net position (assets minus liabilities) by the government that is applicable to a future period, while an ‘asset’ is a resource with present service capacity that the government presently controls. A “deferred inflow of resources” is an acquisition of net position (assets minus liabilities) by the government that is applicable to a future reporting period, while a ‘liability’ is a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred outflows and inflows of resources are reported separate from assets and liabilities, respectively, in the Statement of Net Position.

Comparative Data and Reclassifications

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

Use of Estimates

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments

As of April 30, 2016, the City had the following cash and investment balances:

Cash on hand	\$ 4,150
Carrying amount of deposits	<u>5,714,798</u>
Totals	<u>\$ 5,718,948</u>

Statement of Net Position balances:

Cash and cash equivalents:	
Unrestricted	\$ 789,024
Restricted	3,427,987
Equity in pooled cash	<u>1,501,937</u>
Totals	<u>\$ 5,718,948</u>

Deposits

The City's policy, by law, requires all financial institutions that receive City funds to secure the deposits by deposit insurance or collateral securities to protect the City against any loss.

Custodial credit risk for deposits is the risk that in the event of a depository institution's failure, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposits in banks or the State Treasurer Investment Pool and non-negotiable certificates of deposits. At April 30, 2016, the carrying amounts of the City's deposits were covered by federal depository insurance with the remaining balance collateralized by securities held by the financial institution in the City's name.

Investments

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbook savings accounts, bankers' acceptance agreements, and other available bank investments, provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States government.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments (Continued)

Investments (continued)

Types of investments at April 30, 2016 were certificates of deposit of various financial institutions, securities of the U.S. Treasury or agencies, mutual funds of governmental agency securities, and corporate bonds and notes as follows:

	<u>Fair Value</u>	<u>Maturity</u>
Certificate of deposit – 1.00%	\$ 146,537	4/27/2021
Certificate of deposit – 1.25%	145,199	3/27/2017
Federal government agencies' securities	<u>1,389,707</u>	Varies
Total fair value	<u>\$ 1,681,443</u>	

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of April, 30, 2016, none of the City's investments were exposed to custodial credit risk.

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

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. All of the City's investments were held and managed by two financial institutions as of April 30, 2016.

3. Restricted Assets

Restricted cash and cash equivalents reported in the Business-type Activities totaled \$3,251,853 at April 30, 2016. This amount was for projects authorized by the Combined Utility System Bonds, Series 2013, plus the Series 2009 A and B Debt Service Reserve Funds, and for obligations under installment note contracts or capital leases. Restricted cash and cash equivalents for the Governmental Activities totaled \$176,134 at April 30, 2016. This amount was restricted to the purchase of specific items of equipment as required under the terms of municipal court, housing, fire, and law enforcement activities.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. **Receivables**

Accounts receivable at April 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 252,419	\$ —
Lot clearing fees	171,644	—
Combined utility accounts	—	3,071,736
Miscellaneous	12,811	407
Total receivables	<u>436,874</u>	<u>3,072,143</u>
Less, allowance for uncollectible accounts	<u>(401,504)</u>	<u>(1,320,790)</u>
Receivables, net	<u><u>\$ 35,370</u></u>	<u><u>\$ 1,751,353</u></u>

Notes receivable at April 30, 2016, including the applicable allowances for uncollectible accounts and imputed interest are as follows:

	Governmental Activities
Upper Story Housing <i>(See Note 14)</i>	\$ 880,000
Housing rehabilitation	111,836
Housing assistance	83,797
CDBG Repayment Fund	14,989
Total notes receivable	<u>1,090,622</u>
Less, allowance for uncollectible accounts and unrealized imputed interest	<u>(886,750)</u>
Notes receivable, net	<u><u>\$ 203,872</u></u>

5. **Due to/from Other Funds – Internal Balances**

Short-term interfund receivables and payables at April 30, 2016, were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,695,843	\$ —
Special Revenue Fund	—	(31,321)
Capital Project Fund	—	(607,548)
Utility Fund	1,245,510	(3,302,484)
Total interfund balances	<u>3,941,353</u>	<u>(3,941,353)</u>
Less, eliminations	<u>(2,056,974)</u>	<u>2,056,974</u>
Internal balances, net	<u><u>\$ 1,884,379</u></u>	<u><u>\$ (1,884,379)</u></u>

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Due to/from Other Funds – Internal Balances (Continued)

Transfers to/from Other Funds

Transfers in (out) for the year ended April 30, 2016 are summarized below:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 2,078,600	\$ (5,000)
Special Revenue Funds	—	(378,600)
Capital Project Fund	5,000	—
Utility Fund	150,000	(1,850,000)
	<u>\$ 2,233,600</u>	<u>\$ (2,233,600)</u>

Transfers between the major funds, other non-major governmental funds and enterprise funds were primarily to support the operations of the funds. For the year ended April 30, 2016, net transfers between Governmental Activities and Business-type Activities totaled \$1.7 million.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Capital Assets

A summary of the changes in the City's capital assets during the year ended April 30, 2016, are as follows:

Governmental Activities:

	<u>Balance</u> <u>April 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>April 30, 2016</u>
Capital assets not being depreciated:					
Land and land improvements	\$ 326,402	\$ —	\$ —	\$ —	\$ 326,402
Construction in process	15,750	214,836	—	(230,586)	—
Total capital assets not being depreciated	<u>342,152</u>	<u>214,836</u>	<u>—</u>	<u>(230,586)</u>	<u>326,402</u>
Capital assets being depreciated:					
Buildings and improvements	7,547,306	—	—	230,586	7,777,892
Furniture, vehicles, equipment	5,422,185	—	(243,362)	—	5,178,823
Signage	—	31,220	—	—	31,220
Totals capital assets being depreciated	<u>12,969,491</u>	<u>31,220</u>	<u>(243,362)</u>	<u>230,586</u>	<u>12,987,935</u>
Less, accumulated depreciation for:					
Buildings and improvements	(2,484,578)	(238,334)	—	—	(2,722,912)
Furniture, vehicles, equipment	(3,611,337)	(285,227)	243,362	—	(3,653,202)
Total accumulated depreciation	<u>(6,095,915)</u>	<u>(523,561)</u>	<u>243,362</u>	<u>—</u>	<u>(6,376,114)</u>
Total capital assets being depreciated, net	<u>6,873,576</u>	<u>(492,341)</u>	<u>—</u>	<u>230,586</u>	<u>6,611,821</u>
Net capital assets – Governmental Activities	<u>\$ 7,215,728</u>	<u>\$ (277,505)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,938,223</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Capital Assets (Continued)

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

General government	\$ 152,976
Public safety	259,987
Public works	110,599
Culture and recreation	—
Total depreciation expense	<u>\$ 523,562</u>

Business-Type Activities:

	<u>Balance</u> <u>April 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>April 30, 2016</u>
Capital assets not being depreciated:					
Land	\$ 145,300	\$ —	\$ —	\$ —	\$ 145,300
Construction in progress	140,957	441,595	—	(221,191)	361,361
Total capital assets not being depreciated	<u>286,257</u>	<u>441,595</u>	<u>—</u>	<u>(221,191)</u>	<u>506,661</u>
Capital assets being depreciated:					
Buildings	626,283	—	—	—	626,283
Improvement other than buildings	39,984,536	32,148	—	221,191	40,237,875
Equipment and vehicles	3,368,065	—	—	—	3,368,065
Total capital assets being depreciated	<u>43,978,884</u>	<u>32,148</u>	<u>—</u>	<u>221,191</u>	<u>44,232,223</u>
Less, accumulated depreciation for:					
Buildings	(587,436)	(1,571)	—	—	(589,007)
Improvement other than buildings	(17,300,678)	(1,001,233)	—	—	(18,301,911)
Equipment and vehicles	(2,800,664)	(182,326)	—	—	(2,982,990)
Total accumulated depreciation	<u>(20,688,778)</u>	<u>(1,185,130)</u>	<u>—</u>	<u>—</u>	<u>(21,873,908)</u>
Total capital assets being depreciated, net	<u>23,290,106</u>	<u>(1,152,982)</u>	<u>—</u>	<u>221,191</u>	<u>22,358,315</u>
Net capital assets – Business-type activities	<u>\$ 23,576,363</u>	<u>\$ (711,387)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,864,976</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt

Installment Note

The City has an installment note with a financial institution used for the purchase of certain capital equipment and vehicles for both Governmental Activities and Business-type Activities. For financial statement reporting the installment note is divided between the Governmental Activities (44%) and Business-type Activities (56%), respectively.

General Obligation Bonds

All general obligation bonds serviced by the City’s General Fund are collateralized by the full faith, credit, and taxing power of the City. Principal and interest payments are appropriated when due.

Revenue Bonds

The City’s revenue bonds, including the State Revolving Fund loans, are secured by a pledge of revenue generated by the Combined Utility System.

Long-term debt of the City at April 30, 2016 consists of the following:

A. Governmental Activities

Series 2014 General Obligation Bond, dated 8/29/14, due in semi-annual installments through August 2023, interest at 2.188%.	\$ 730,000
Installment note contract with PNC Bank for various vehicles and equipment, due in quarterly installments through October 1, 2016, interest at 1.74%. (Less, Business-type Activities portion of the total note obligation 56%)	134,707 <u>(75,436)</u>
Installment note payable – Governmental Activities portion (44%)	<u>59,271</u>
Total long-term debt	789,271
Less, current portions (due within one year)	<u>(157,271)</u>
Net long-term debt – Governmental Activities	<u><u>\$ 632,000</u></u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

B. Business-Type Activities

Series 2009A South Carolina Water Pollution Control Revolving Fund Loan, dated 8/31/09, due in quarterly installments of \$19,939 through October 1, 2030; interest at 1.85%.	\$ 1,003,924
Series 2009B South Carolina Drinking Water Revolving Fund Loan, dated 8/31/09, due in quarterly installments of \$25,366 through September 1, 2040; interest at 1.88%.	1,976,834
Series 2013 Combined Utility System Refunding and Improvement Revenue Bonds, dated 12/19/13, payable semi-annually with interest (3.0% – 4.25% per annum); final payment due February 2024.	9,395,000
Installment note contract with PNC Bank for various vehicles and equipment, due in quarterly installments through October 1, 2016, interest at 1.74%.	134,707
(Less, Governmental Activities portion of note obligation 44%)	<u>(59,271)</u>
Installment note payable – Business-type activities portion (56%)	<u>75,436</u>
Total long-term debt	12,451,194
Less, current portions (due within one year):	(573,682)
Add, Series 2013 bond premium (\$77,158 net of amortization of \$7,716)	<u>69,442</u>
Net long-term debt – Business-type Activities	<u><u>\$ 11,946,954</u></u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

C. Changes in Long-Term Debt

Changes in the long-term debt of the City during the year ended April 30, 2016, were as follows:

	Outstanding 4/30/15	Additions	Retirements	Outstanding 4/30/16
Governmental Activities:				
Series 2014 G.O. Bond	\$ 825,000	\$ —	\$ (95,000)	\$ 730,000
Installment note contract	\$ 174,281	\$ —	\$ (115,010)	\$ 59,271
Business-type Activities:				
Series 2009A SRF Loan	\$ 1,065,467	\$ —	\$ (61,543)	\$ 1,003,924
Series 2009B SRF Loan	\$ 2,041,614	\$ —	\$ (64,780)	\$ 1,976,834
Series 2013 Refunding Revenue Bond	\$ 9,750,000	\$ —	\$ (355,000)	\$ 9,395,000
Installment note contract	\$ 226,358	\$ —	\$ (150,922)	\$ 75,436

The City issued Series 2013 Refunding and Improvement Revenue Bonds to current refund the majority of the Series 2004 Revenue Bonds. The refunding resulted in a premium at issuance of \$77,158, which is being amortized over the life of the bonds. Accumulated amortization at April 30, 2016 equaled \$7,716.

D. Accrued Compensated Absences

Changes in accrued compensated absences (vacation payable) are as follows:

	Balances 4/30/15	Additions	Deletions	Balances 4/30/16
Governmental Activities:	\$ 351,401	\$ —	\$ (4,481)	\$ 346,920
Business-type Activities	200,600	—	(12,652)	187,948
	\$ 552,001	\$ —	\$ (17,133)	\$ 534,868

The City does not have a policy/program of providing post-employment health benefits for retirees.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

E. Annual Requirements for Long-Term Debt

The annual debt service requirements to amortize the City's long-term debt, except accrued compensated absences, are summarized below:

	Installment Note		G.O. Bond		Revenue Bonds		2009A SRF Loans		2009B SRF Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 134,707	\$ 880	\$ 98,000	\$ 15,972	\$ 370,000	\$ 357,788	\$ 62,537	\$ 18,047	\$ 65,709	\$ 35,754
2018	—	—	100,000	13,828	385,000	342,988	63,567	17,017	66,671	34,792
2019	—	—	102,000	11,640	395,000	331,438	64,633	15,951	67,668	33,795
2020	—	—	104,000	9,408	410,000	319,588	65,646	14,938	68,699	32,764
2021	—	—	106,000	7,133	420,000	307,288	66,879	13,705	69,677	31,786
2022-2026	—	—	220,000	7,241	2,330,000	1,308,288	353,009	49,911	366,267	141,047
2027-2031	—	—	—	—	2,855,000	819,738	327,653	14,828	399,222	108,092
2032-2036	—	—	—	—	2,230,000	190,309	—	—	439,061	68,253
2037-2041	—	—	—	—	—	—	—	—	433,860	22,722
	<u>\$ 134,707</u>	<u>\$ 880</u>	<u>\$ 730,000</u>	<u>\$ 65,222</u>	<u>9,395,000</u>	<u>\$ 3,977,425</u>	<u>\$ 1,003,924</u>	<u>\$ 144,397</u>	<u>\$1,976,834</u>	<u>\$ 509,005</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Net Position and Fund Balances

Net position of the Government-wide and Proprietary Fund financial statements represent the difference between assets and liabilities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Net Investment in Capital Assets:</u>		
Net capital assets	\$ 6,938,223	\$ 22,864,976
Less, long-term debt payable	(789,271)	(12,520,636)
Total net investment in capital assets	<u>\$ 6,148,952</u>	<u>\$ 10,344,340</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Restricted for:</u>		
Pensions	\$ 901,886	\$ 469,345
Debt services	—	315,222
Capital projects		2,936,631
Housing and community development	94,252	—
Upper Story Housing notes receivable	880,000	—
Less, unrealized imputed interest	(676,128)	—
Fire prevention and education	41,676	—
Law enforcement and public safety	40,206	—
Total restricted	<u>\$ 1,281,892</u>	<u>\$ 3,721,198</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Net Position and Fund Balances (continued)

As described in *Note 1*, Governmental Funds fund balances are reported in classifications based on the specific purposes for which those funds can be spent as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Non-spendable:</u>			
Inventory and prepaid items	\$ 52,700	\$ —	\$ 52,700
<u>Restricted for:</u>			
Housing assistance	—	974,252	974,252
Fire prevention and education	—	41,676	41,676
Municipal court and public safety	354,496	—	354,496
	<u>354,496</u>	<u>1,015,928</u>	<u>1,370,424</u>
<u>Assigned to:</u>			
Tourism and hospitality	—	228,692	228,692
Underground storage tanks (UST)	25,000	—	25,000
	<u>25,000</u>	<u>228,692</u>	<u>253,692</u>
<u>Unassigned (deficit)</u>	<u>3,456,386</u>	<u>(451,356)</u>	<u>3,005,030</u>
Totals	<u>\$ 3,888,582</u>	<u>\$ 793,264</u>	<u>\$ 4,681,846</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement

All employees, excluding public safety department employees (police and fire officers), are eligible for membership in the South Carolina Governmental Employees' Retirement System (SCRS). Public safety department employees are covered by the South Carolina Police Officers' Retirement System (PORS). Both are a cost-sharing, multiple employer public employee retirement system administered by the South Carolina Public Employee Benefit Authority (PEBA). Actuarial determinations are made by the administrators for the system.

Plan Descriptions

Benefits of the retirement systems are established by state statutes. Under current statutes, member employees who retire at age 65 or after 28 years (public safety employees after 25 years) of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee's highest twenty consecutive quarters of compensation for non-public safety employees and 2.14 percent for public safety employees.

Benefits

Member employees who are at least 55 years of age may elect early retirement with reduced benefits. In either case, any unrecovered contributions are payable upon death and benefit payments increase 4 percent each year following an increase in the Consumer Price Index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems also provide death and disability benefits to all member employees.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Funding Policy

The City's total "pensionable" wages for the years ended April 30, 2016, 2015, and 2014, were approximately \$4,905,082, \$4,846,708, and \$4,697,821, while covered-employee wages were \$4,905,082, \$4,846,708, and \$4,697,821 for the years ended 2016, 2015, and 2014, respectively. State statutes also determine the levels of contributions required by both employers and employees. Effective July 1, 2016, for non-public safety employees, the employee contribution rate will be 8.16 percent and the employer required contribution will be 11.06 percent, which includes .15 percent of group life coverage. Effective July 1, 2016, for public safety employees, the employee contribution rate will be 8.74 percent and the employer contribution rate will be 13.74 percent, which includes .2 percent of group life and .2 percent of accidental death coverage. The City contributed 100% of the required contribution for each of the plans for the years ending April 30, 2016, 2015, and 2014.

	SCRS			PORS		
	2016	2015	2014	2016	2015	2014
Wages:						
Pensionable	\$ 3,023,323	\$ 3,050,056	\$ 2,916,853	\$ 1,881,759	\$ 1,796,652	\$ 1,780,968
Contribution Rates:						
Employees	8.16%	8.0%	7.5%	8.74%	8.41%	7.84%
Employer	11.06%	10.9%	10.6%	13.74%	13.41%	12.84%
Contributions:						
Employees	\$ 260,458	\$ 241,118	\$ 216,028	\$ 163,329	\$ 149,155	\$ 136,753
Employer	\$ 348,548	\$ 326,149	\$ 304,811	\$ 249,890	\$ 221,394	\$ 219,704

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources

At April 30, 2016, the City reported a liability of \$9,349,963 for the measurement period June 30, 2015 for its proportionate share of the net pension liabilities, of which \$6,182,937 was for SCRS and \$3,167,026 was for PORS. The net pension liabilities were measured by PEBA as of June 30, 2015 and the total pension liabilities used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, PEBA reported the City's proportion of the collective net pension liability was 0.032601% for SCRS and 0.14531% for PORS.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources (continued)

For the year ended April 30, 2016, the City recognized pension expense of \$725,620, of which \$455,335 was for SCRS (\$464,539 in Governmental Activities and \$261,081 in the Business-type Activities) and \$270,285 for PORS (all Governmental Activities), respectively.

Components of Change in Net Pension Liability (NPL)

Changes in the net pension liability for the measurement period, June 30, 2015, follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Pension expense:			
Service cost	\$ 242,616	\$ 223,926	\$ 466,542
Interest on total pension liability	1,026,309	632,575	1,658,884
Changes in plan benefits	—	—	—
Plan administrative costs	4,093	2,806	6,899
Plan member contributions	(233,458)	(155,269)	(388,727)
Expected return on plan assets	(617,335)	(430,384)	(1,047,719)
Recognition of deferred outflows – current year amortization	45,699	21,303	67,002
Recognition of deferred inflows – current year amortization	(13,022)	(23,131)	(36,153)
Other	433	(1,541)	(1,108)
Total pension expense	<u>455,335</u>	<u>270,285</u>	<u>725,620</u>
PEBA employer contribution	<u>(333,337)</u>	<u>(241,851)</u>	<u>(575,188)</u>
Balance of deferred items (net of amortization):			
Outflow – Plan performance	—	9,839	9,839
Outflow – Investment experience	495,358	345,079	840,437
Inflow – Plan Performance	(14,552)	—	(14,552)
Inflow – Investment experience	—	—	—
Inflow – Allocated proportion change	24,619	(50,904)	(26,285)
Amortizations of deferred items:			
Outflow – Plan performance	(49,194)	(21,303)	(70,497)
Outflow – Investment experience	(99,072)	(69,025)	(168,097)
Outflow – Allocated proportion change	(6,207)	—	(6,207)
Inflow – Plan performance	3,495	—	3,495
Inflow – Investment experience	118,300	80,470	198,770
Inflow – Allocated proportion change	—	11,677	11,677
Total change in net pension liability	<u>\$ 594,745</u>	<u>\$ 334,267</u>	<u>\$ 929,012</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources (continued)

At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Related to Pensions		
	SCRS	PORS	Total
Differences between expected and actual plan performance	\$ 109,850	\$ 62,769	\$ 172,619
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	396,286	276,054	672,340
Changes in proportion and differences between City contributions and proportionate share of contributions	19,639	—	19,639
City contributions subsequent to the measurement date	295,687	210,946	506,633
Total	\$ 821,462	\$ 549,769	\$ 1,371,231

	Deferred Inflows of Resources Related to Pensions		
	SCRS	PORS	Total
Differences between expected and actual plan performance	\$ 11,057	\$ —	\$ 11,057
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	354,901	241,402	596,303
Changes in proportion and differences between City contributions and proportionate share of contributions	3,560	51,057	54,617
Total	\$ 369,518	\$ 292,459	\$ 661,977

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources (continued)

The \$506,633 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources Related to Pensions		
	SCRS	PORS	Total
<u>Year ended April 30:</u>			
2017	\$ 154,508	\$ 90,414	\$ 244,922
2018	154,508	90,414	244,922
2019	116,778	57,642	204,420
2020	99,981	70,353	170,334
	<u>\$ 525,775</u>	<u>\$ 308,823</u>	<u>\$ 864,598</u>

	Deferred Inflows of Resources Related to Pensions		
	SCRS	PORS	Total
<u>Year ended April 30:</u>			
2017	\$ 122,896	\$ 93,650	\$ 216,546
2018	122,896	93,650	216,546
2019	122,896	93,650	216,546
2020	830	11,509	12,339
	<u>\$ 369,518</u>	<u>\$ 292,459</u>	<u>\$ 661,977</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SCRS	PORS
Inflation	2.75 percent	2.75 percent
Salary	Levels off at 3.5 percent, including inflation	Levels off at 4.0 percent, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation	7.5 percent, net of pension plan investment expense, including inflation

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Actuarial Assumptions (continued)

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA, projected from the year 2000.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study on data through June 30, 2010. The next actuarial experience study is scheduled to be conducted after the June 30, 2016 annual valuation is completed.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Long-term Expected Rate of Return (continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the SCRS and PORS Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 8.75 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 6.00 percent real rate of return and a 2.75 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term:		
Cash	2.0%	0.04%
Short Duration	3.0%	0.06%
Domestic Fixed Income:		
Core fixed income	7.0%	0.19%
High yield	6.0%	0.23%
Bank loans		
Global Fixed Income:		
Global fixed income	3.0%	0.08%
Emerging markets debt	6.0%	0.31%
Global Public Equity	31.0%	2.20%
Global Tactical Asset Allocation	10.0%	0.49%
Alternatives:		
Hedge Funds (Low Beta)	8.0%	0.34%
Private Debt	7.0%	0.69%
Private Equity	9.0%	0.89%
Real Estate (Broad Market)	5.0%	0.30%
Commodities	3.0%	0.18%
Total expected real return	100.0%	6.00%
Inflation for actuarial purposes		2.75%
Total expected nominal return		8.75%

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Employee Retirement (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities at June 30, 2015, was 7.50 percent (meeting statutory requirement). 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

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	City’s proportionate share of the net pension liabilities to changes in the discount rate		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
SCRS	\$ 7,794,917	\$ 6,182,937	\$ 4,831,893
PORS	\$ 4,314,229	\$ 3,167,026	\$ 2,141,489

Pension Plans Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PEBA financial report. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS, which is issued and publicly available on the website www.retirement.sc.gov, or a copy may be obtained by submitting in writing a request to the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

10. Due From Other Governments

The following are due from (to) other governments:

	Governmental Activities
Due from state government	\$ 326,446
Other	—
Total due from other governments	<u>\$ 326,446</u>

11. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the South Carolina State Insurance Reserve Fund. Through the Fund, the City maintains property insurance at replacement value and contents coverage at actual value. The City also maintains tort and fleet auto coverage through the Fund. The City has also transferred a portion of its risk of loss for health insurance and workers compensation claims to various state agencies and commercial insurance carriers. For the year ended April 30, 2016, the City incurred \$891,767 in health care premiums and approximately \$246,335 in worker's compensation premiums.

12. Contingencies and Commitments

Litigation

The City is party to legal proceedings that normally occur in governmental operations. City officials believe the legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

Federal and State Assisted Programs

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Such audits could result in the refund of grant monies to the grantor agencies. However, management believes that any required refunds would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant monies.

Facilities Abandonment Charge

The City's contract with its electric supplier contains a facilities abandonment charge in the event the contract is terminated prior to the time scheduled under the contract which currently is April 30, 2020.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

13. Reconciliation of Government-wide and Fund Financial Statements

A. Explanations of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The Governmental Fund Balance Sheet includes a reconciliation between fund balance amounts and Net position-Governmental Activities. The details of the reconciled amounts are as follows:

Capital assets in governmental activities are not financial resources and therefore are not reported in the fund financial statements:

Capital assets	\$ 13,314,337
Less, accumulated depreciation	<u>(6,376,114)</u>
Net amount reported	<u>\$ 6,938,223</u>

Other assets not available to pay for current period expenditures and therefore are not reported in the funds:

Mortgages receivable	\$ (880,000)
Less, imputed interest	<u>203,872</u>
Net amount reported	<u>\$ (676,128)</u>

Deferred outflows related to pensions are not included in the pension liability as of the measurement date, and, therefore are reported in the fund financial statements but deferred at the government-wide level.

901,886

Deferred inflows related to pensions are not due and payable in the current period and, therefore, are not reported in the fund financial statements

(451,990)

Net amount reported

\$ 449,896

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund financial statements:

Bond and installment purchase contracts	\$ (789,271)
Accrued compensated absences	(346,920)
Net pension obligation	<u>(5,774,178)</u>
Net amount reported	<u>\$ (6,910,369)</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

13. Reconciliation of Government-wide and Fund Financial Statements (Continued)

B. Explanations of Differences Between the Governmental Fund Statement of Revenue, Expenses and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund Statement of Revenue, Expenses and Changes in Fund Balances includes a reconciliation between net changes in fund balance and Changes in Net position-Governmental Activities. The details of the reconciled amounts are as follows:

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

Capital outlay expenditures	\$ 246,056
Less, depreciation expense	<u>(523,561)</u>
Net amount reported	<u><u>\$ (277,505)</u></u>

Some revenue and expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in accrued compensated absences	\$ 4,481
Pension expenses	(68,038)
Imputed interest realized	<u>9,710</u>
Net amount reported	<u><u>\$ (53,847)</u></u>

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal repayments – bonds and installment note obligations	\$ 210,010
Net amount reported	<u><u>\$ 210,010</u></u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

14. Notes Receivable – Upper Story Housing

During the year ended April 30, 2002, the City of Bennettsville applied for and received funds from a CDBG grant for \$330,000, a grant from the South Carolina State Housing and Finance Development Authority for \$350,000, and a HOME grant for \$200,000 for the purpose of redeveloping downtown upper story housing.

These funds, individually, were disbursed to the developer, Bennettsville Downtown Limited Partnership (a North Carolina Limited Partnership), in the form of three secured mortgage loans as follows:

Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$17,500 beginning December 31, 2037. Collateralized by first lien security interest on various Main Street and Broad Street properties.	\$ 350,000
Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$10,000 beginning December 31, 2034. Collateralized by third lien security interest on various Main Street and Broad Street properties.	200,000
Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$16,500 beginning December 31, 2037, with all remaining unpaid balances due and payable December 31, 2056. Collateralized by a fourth lien security interest on various Main Street and Broad Street properties.	330,000
	<u>\$ 880,000</u>

These mortgage notes have been recorded in the Government-wide Financial Statements – Governmental Activities, net of unrealized imputed interest of \$676,128 at April 30, 2016. The outstanding principal balance of these notes (\$880,000) have been reported as a Special Revenue Fund and reserved fund balance for the Upper Story Housing project in housing assistance.

15. Subsequent Events

Management has evaluated subsequent events through the date of this report.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

16. Restatement for Accounting Principle Change

The City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; and amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pensions that are administered through trusts or equivalent arrangements. Statements No. 27 and No. 50 requirements remain applicable to pensions that are not administered through a trust or equivalent arrangement.

The Pension measurement date is June 30, 2015, which is a year earlier than these financial statements. Accordingly employer contributions made during fiscal 2016 were restated in the financial statements as deferred outflows and reflected as an increase to net position effective April 30, 2016. In addition, the beginning net position of the Governmental and Business-type Activities was reduced by the opening pension liability balances.

The requirements of this Statement required the City to restate amounts previously reported as follows:

	Governmental Activities	Business-type Activities and Proprietary Fund
Net Position, as previously reported	\$ 9,809,778	\$ 14,934,775
Cumulative effect of change in accounting principle	<u>(5,135,080)</u>	<u>(3,254,323)</u>
Net Position as restated, April 30, 2015	<u>\$ 4,674,698</u>	<u>\$ 11,680,452</u>

Additional Restatement

Beginning Governmental Fund balance and Governmental Activities net position was restated by \$121,164 to correctly report imputed interest on the Upper Story Housing mortgage notes receivable at April 30, 2015.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED APRIL 30, 2016

	Budget		Actual	Variance Over (Under)
	Original	Final		
Revenue				
Taxes, penalties and fees	\$ 1,002,000	\$ 1,002,000	\$ 1,112,613	\$ 110,613
Local option sales tax	772,000	772,000	732,363	(39,637)
Licenses, permits and franchise fees	835,200	835,200	805,571	(29,629)
Fines and forfeitures	210,000	210,000	175,754	(34,246)
Intergovernmental	506,000	506,000	543,018	37,018
Charges for services	944,500	944,500	905,780	(38,720)
Users fees	37,200	37,200	31,731	(5,469)
Interest income	400	400	23	(377)
Sale of capital assets	15,000	15,000	8,836	(6,164)
Other	177,100	177,100	173,481	(3,619)
Total revenue	4,499,400	4,499,400	4,489,170	(10,230)
Expenditures				
Current:				
General government	1,096,427	1,096,427	990,912	(105,515)
Public safety	3,262,632	3,262,632	3,247,397	(15,235)
Public works	1,544,172	1,544,172	1,583,183	39,011
Culture and recreation	364,861	364,861	365,061	200
Capital outlay	21,200	21,200	53,332	32,132
Debt service	230,060	230,060	232,368	2,308
Total expenditures	6,519,352	6,519,352	6,472,253	(47,099)
Excess (deficiency) of revenue over expenditures	(2,019,952)	(2,019,952)	(1,983,083)	36,839
Other Financing Sources (uses)				
Transfers in	2,078,600	2,078,600	2,078,600	—
Transfers (out)	(5,000)	(5,000)	(5,000)	—
Total other financing sources (uses)	2,073,600	2,073,600	2,073,600	—
Net change in fund balance	53,648	53,648	90,517	36,839
Fund balance, beginning of year	3,798,065	3,798,065	3,798,065	—
Fund balance, end of year	<u>\$ 3,851,713</u>	<u>\$ 3,851,713</u>	<u>\$ 3,888,582</u>	<u>\$ 36,839</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULE

APRIL 30, 2016

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

1. A proposed operating budget for the fiscal year is prepared. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Prior to April 30, the budget is legally enacted through passage of an ordinance for the following fiscal year.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.
4. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. The City Council adopts a summary budget for proprietary funds.
6. The City Council may authorize supplemental appropriations during the year.
7. The Administrator is authorized to make "line item" transfers within the budget. Such transfers were made during the year.
8. Appropriations lapse at the end of each fiscal year.

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
 LAST TEN FISCAL YEARS^{*(1)}

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City's proportion of the net pension liability	N/A	0.00032601	0.00032458	N/A						
City's proportion share of the net pension liability	N/A	\$ 6,182,937	\$ 5,588,192	N/A						
City's covered-employee payroll	\$ 3,203,323	\$ 3,050,056	\$ 2,916,853	N/A						
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	N/A	202.7%	191.6%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	N/A	57.0%	59.9%	N/A						

*The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

⁽¹⁾ Because prior year data is unavailable, the city has elected to present information prospectively.

N/A – Not available

CITY OF BENNETTSVILLE, SOUTH CAROLINA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
LAST TEN FISCAL YEARS⁽¹⁾

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 348,548	\$ 326,149	\$ 304,811	N/A						
Contributions in relation to the contractually required contribution	\$ 348,548	\$ 326,149	\$ 304,811	N/A						
Contribution deficiency (excess)	\$ —	\$ —	\$ —	N/A						
City's covered-employee payroll	\$ 3,203,323	\$ 3,050,056	\$ 2,916,853	N/A						
Contributions as a percentage of pensionable wages	10.9%	10.7%	10.4%	N/A						

⁽¹⁾ Because prior year data is unavailable, the city has elected to present information prospectively.

N/A – Not available

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 POLICE OFFICERS RETIREMENT SYSTEM (PORS)
 LAST TEN FISCAL YEARS*(1)
 (Dollar amount in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City's proportion of the net pension liability (asset)	N/A	0.0014531	0.0014797	N/A						
City's proportion share of the net pension liability (asset)	N/A	\$ 3,167,026	\$ 2,832,759	N/A						
City's covered employee payroll	\$ 1,881,759	\$ 1,796,652	\$ 1,780,968	N/A						
City's proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	64.6%	67.5%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*The amounts presented for each fiscal year determined as of the measurement year that occurred within the fiscal year.

(1) Because prior year data is unavailable, the city has elected to present information prospectively.

N/A – Not available

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 POLICE OFFICERS RETIREMENT SYSTEM (PORS)

LAST TEN FISCAL YEARS⁽¹⁾
 (Dollar amount in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 249,890	\$ 231,801	\$ 219,704	N/A						
Contributions in relation to the contractually required contribution	\$ 249,890	\$ 231,801	\$ 219,704	N/A						
Contribution deficiency (excess)	\$ —	\$ —	\$ —	N/A						
City's covered-employee payroll	\$ 1,881,759	\$ 1,796,652	\$ 1,780,968	N/A						
Contributions as a percentage of covered-employee payroll	13.3%	12.9%	12.3%	N/A						

⁽¹⁾ Because prior year data is unavailable, the city has elected to present information prospectively.
 N/A – Not available

CITY OF BENNETTSVILLE, SOUTH CAROLINA

OTHER FINANCIAL INFORMATION

CITY OF BENNETTSVILLE, SOUTH CAROLINA

COMBINING 'NON-MAJOR' GOVERNMENTAL
FINANCIAL STATEMENTS

CITY OF BENNETTSVILLE, SOUTH CAROLINA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

APRIL 30, 2016

	Special Revenue Funds							Total Special Revenue Funds	Capital Projects Fund	Totals
	Housing Rehabilitation Fund	Housing Assistance	CDBG Repayment Fund	Upper Story Housing Fund	Tourism & Business Fund	Hospitality Fund	Fire Ins. & Inspectors Fund			
Assets										
Cash and cash equivalents:										
Unrestricted	\$ —	\$ —	\$ —	\$ —	\$ 12,169	\$ 220,023	\$ —	\$ 232,192	\$ 156,192	\$ 388,384
Restricted	46,608	23,876	23,768	—	—	—	41,676	135,928	—	135,928
Due from other funds	—	—	—	—	—	—	—	—	—	—
Notes receivables-housing assistance loans	111,836	83,797	14,989	880,000	—	—	—	1,090,622	—	1,090,622
Less. allowance for doubtful accounts	(111,836)	(83,797)	(14,989)	—	—	—	—	(210,622)	—	(210,622)
Total assets	\$ 46,608	\$ 23,876	\$ 23,768	\$ 880,000	\$ 12,169	\$ 220,023	\$ 41,676	\$ 1,248,120	\$ 156,192	\$ 1,404,312
Liabilities and Fund Balances										
Liabilities:										
Due to other funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,500	\$ —	\$ 3,500	\$ 607,548	\$ 611,048
Total liabilities	—	—	—	—	—	3,500	—	3,500	607,548	611,048
Fund balances:										
Restricted for:										
Housing assistance	46,608	23,876	23,768	880,000	—	—	—	974,252	—	974,252
Firemen education	—	—	—	—	—	—	41,676	41,676	—	41,676
Assigned to:										
Capital projects	—	—	—	—	—	—	—	—	—	—
Tourism and community development	—	—	—	—	12,169	216,523	—	228,692	—	228,692
Unassigned (deficit)	—	—	—	—	—	—	—	—	(451,356)	(451,356)
Total fund balances	46,608	23,876	23,768	880,000	12,169	216,523	41,676	1,244,620	(451,356)	793,264
Total liabilities and fund balances	\$ 46,608	\$ 23,876	\$ 23,768	\$ 880,000	\$ 12,169	\$ 220,023	\$ 41,676	\$ 1,248,120	\$ 156,192	\$ 1,404,312

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2016

	Special Revenue Funds							Total Special Revenue Funds	Capital Projects Fund	Total
	Housing Rehabilitation Fund	Housing Assistance Fund	CDBG Repayment Fund	Upper Story Housing Fund	Tourism & Business Fund	Hospitality Fund	Fire Ins. & Inspectors Fund			
Revenue										
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ 74,352	\$ 270,487	\$ 36,433	\$ 381,272	\$ 212,545	\$ 593,817
Other	9	471	71	—	13	28	57	649	34	683
Total revenue	<u>9</u>	<u>471</u>	<u>71</u>	<u>—</u>	<u>74,365</u>	<u>270,515</u>	<u>36,490</u>	<u>381,921</u>	<u>212,579</u>	<u>594,500</u>
Expenditures										
General government:										
Miscellaneous	937	—	—	—	—	—	26,418	27,355	—	27,355
Culture and recreation:										
Tourism related	—	—	—	—	18,182	88,511	—	106,693	—	106,693
Capital outlay	—	—	—	—	—	—	—	—	247,257	247,257
Total expenditures	<u>937</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,182</u>	<u>88,511</u>	<u>26,418</u>	<u>134,048</u>	<u>247,257</u>	<u>381,305</u>
Excess (deficiency) of revenue over expenditures	(928)	471	71	—	56,183	182,004	10,072	247,873	(34,678)	213,195
Other Financing Sources (Uses)										
Transfers in (out)	—	—	—	—	(102,000)	(276,600)	—	(378,600)	5,000	(373,600)
Net change in fund balances	(928)	471	71	—	(45,817)	(94,596)	10,072	(130,727)	(29,678)	(160,405)
Fund balances (deficits), beginning of year	47,536	23,405	23,697	880,000	57,986	311,119	31,604	1,375,347	(421,678)	953,669
Fund balances, end of year	<u>\$ 46,608</u>	<u>\$ 23,876</u>	<u>\$ 23,768</u>	<u>\$ 880,000</u>	<u>\$ 12,169</u>	<u>\$ 216,523</u>	<u>\$ 41,676</u>	<u>\$ 1,244,620</u>	<u>\$ (451,356)</u>	<u>\$ 793,264</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2016

(With comparative actual amounts at year ended April 30, 2015)

	Final Budget	Actual	Variance Over (Under)	Prior Year
Revenue				
Taxes, penalties and fees	\$ 1,002,000	\$ 1,112,613	\$ 110,613	\$ 1,076,678
Local option sales tax	772,000	732,363	(39,637)	762,596
Licenses, permits, and franchise fees	835,200	805,571	(29,629)	848,112
Fines and forfeitures	210,000	175,754	(34,246)	204,985
Intergovernmental:				
Grants	39,000	51,603	12,603	96,459
Other intergovernmental	467,000	491,415	24,415	480,910
Charges for service:				
Solid waste collection fees	941,000	896,985	(44,015)	936,284
Lot clearing fees	3,500	16,825	13,325	10,550
User fees:				
Community and fitness center	30,000	14,906	(15,094)	18,129
Other rental fees	7,200	8,795	1,595	13,236
Interest income	400	23	(377)	26
Sale of capital assets	15,000	8,836	(6,164)	7,027
Other	177,100	173,481	(3,619)	110,213
Total revenue	4,499,400	4,489,170	(10,230)	4,565,205
Expenditures				
Current:				
General government:				
City council	111,978	110,854	(1,124)	107,858
City attorney	23,561	23,562	1	23,214
Municipal judge and court	121,844	121,626	(218)	114,329
City administrator	226,916	226,074	(842)	222,775
Planning and zoning	187,085	187,400	315	193,535
Finance	203,084	186,469	(16,615)	154,869
Human resources	43,753	42,974	(779)	40,277
Non-departmental	181,906	138,730	(43,176)	187,920
Less, capital outlay	(3,700)	(46,777)	(43,077)	(53,244)
Total general government	1,096,427	990,912	(105,515)	991,533
Public safety:				
Police	2,542,166	2,486,847	(55,319)	2,462,227
Fire	737,966	767,105	29,139	721,414
Less, capital outlay	(17,500)	(6,555)	10,945	(19,154)
Total public safety	3,262,632	3,247,397	(15,235)	3,164,487
Public works:				
Streets and sanitation	1,269,209	1,348,351	79,142	1,338,608
Maintenance shop	60,141	55,577	(4,564)	58,191
Beautification and recycling	214,822	179,255	(35,567)	177,950
Less, capital outlay	—	—	—	(26,164)
Total public works	1,544,172	1,583,183	39,011	1,548,585
Culture and recreation:				
Recreation	364,861	365,061	200	337,410
Total culture and recreation	364,861	365,061	200	337,410
Capital outlay – all departments	21,200	53,332	32,132	98,562
Debt service	230,060	232,368	2,308	308,056
Total expenditures	6,519,352	6,472,253	(47,099)	6,448,633

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

— CONTINUED —

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>	<u>Prior Year</u>
Excess (deficiency) of revenue over expenditures	(2,019,952)	(1,983,083)	36,869	(1,883,428)
Other Financing Sources (Uses)				
Transfers in	2,078,600	2,078,600	—	1,988,850
Transfers (out)	(5,000)	(5,000)	—	—
Bonds proceeds	—	—	—	855,000
Total other financing sources (uses)	<u>2,073,600</u>	<u>2,073,600</u>	<u>—</u>	<u>2,843,850</u>
Net change in fund balance	53,648	90,517	36,869	960,422
Fund balance, beginning of year	<u>3,798,065</u>	<u>3,798,065</u>	<u>—</u>	<u>3,205,766</u>
Cumulative effect of restatement in 2014	<u>—</u>	<u>—</u>	<u>—</u>	<u>(368,123)</u>
Fund balance, end of year	<u>\$ 3,851,713</u>	<u>\$ 3,888,582</u>	<u>\$ 36,869</u>	<u>\$ 3,798,065</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

COMBINED UTILITY FUND

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 COMBINED UTILITY FUND
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION-
 BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2016
 (With comparative actual amounts at year ended April 30, 2015)

	<u>Final Budget</u>	<u>Current Year</u>	<u>Variance Over (Under)</u>	<u>Prior Year</u>
Operating Revenue				
Sales and services:				
Water	\$ 1,668,200	\$ 1,602,499	\$ (65,701)	\$ 1,642,946
Sewer	1,890,400	1,805,786	(84,614)	1,843,351
Electric	10,261,000	9,358,174	(902,826)	10,586,486
Gas	2,856,000	1,918,911	(937,089)	2,732,898
Penalties, reconnect fees and other revenue	477,500	474,800	(2,700)	393,881
Total operating revenue	<u>17,153,100</u>	<u>15,160,170</u>	<u>(1,992,930)</u>	<u>17,199,562</u>
Operating Expenses				
Water plant	1,097,059	943,000	(154,059)	842,607
Water distribution	331,463	326,839	(4,624)	342,995
Wastewater treatment plant	673,526	494,500	(179,026)	464,024
Sewer/Stormwater collection	169,080	160,930	(8,150)	172,651
Electricity purchase and transmission	8,966,805	7,727,234	(1,239,571)	8,503,743
Gas purchase and distribution	2,714,033	1,502,013	(1,212,020)	2,081,578
Administration	615,293	668,096	52,803	603,893
Billing office	575,962	551,994	(23,968)	541,398
Non-departmental	1,113,506	65,934	(1,047,572)	124,122
Depreciation expense	—	1,185,130	1,185,130	1,321,216
Less, capital outlay and transfers	(2,370,857)	—	2,370,857	—
Total operating expenses	<u>13,885,870</u>	<u>13,625,670</u>	<u>(260,200)</u>	<u>14,998,227</u>
Operating income	<u>3,267,230</u>	<u>1,534,500</u>	<u>(1,732,730)</u>	<u>2,201,335</u>
Non-Operating Revenue (Expenses)				
Interest income	15,000	12,812	(2,188)	40,919
Interest expense	(430,649)	(407,737)	22,912	(350,496)
Amortization of bond premium	—	3,858	3,858	—
Total non-operating revenue (expenses)	<u>(415,649)</u>	<u>(391,067)</u>	<u>24,582</u>	<u>(309,577)</u>
Income before contributions and transfers	<u>2,851,581</u>	<u>1,143,433</u>	<u>(1,708,148)</u>	<u>1,891,758</u>
Capital contributions				
Capital grants	—	30,000	30,000	417,695
Contributed capital	—	43,757	43,757	—
Total capital contributions	<u>—</u>	<u>73,757</u>	<u>73,757</u>	<u>417,695</u>
Transfers				
Transfers to General Fund	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>—</u>	<u>(1,700,000)</u>
Change in net position	1,151,581	(482,810)	(1,634,391)	609,453
Net position, beginning of year	14,934,775	14,934,775	—	14,325,322
Cumulative effect of restatement (Note 16)	—	(3,254,323)	(3,254,323)	—
Net position, end of year	<u>\$ 16,086,356</u>	<u>\$ 11,197,642</u>	<u>\$ (4,888,714)</u>	<u>\$ 14,934,775</u>

VICTIM'S RIGHTS ASSISTANCE

CITY OF BENNETTSVILLE, SOUTH CAROLINA
 SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
 YEAR ENDED APRIL 30, 2015

Court Fines and Assessments	
Court fines and assessments collected	\$ 326,382
Court fines and assessments remitted to State Treasurer	<u>(170,916)</u>
Total court fines and assessments retained by the City	<u>\$ 155,466</u>
Surcharges and Assessments retained for Victims Services	
Total surcharges collected	\$ 9,273
Total assessments	<u>14,010</u>
Total surcharges and assessments retained for victims services	<u>\$ 23,283</u>
Funds Allocated to Victims Services	
Carryover funds from prior year	\$ —
Surcharges and assessments retained	23,283
Expenditures for victims services	<u>(23,283)</u>
Unexpended victim's rights assistance funds	<u>\$ —</u>