

TOWN OF CHESTERFIELD
Chesterfield, South Carolina

FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Town Council
Town of Chesterfield
Chesterfield, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for retiree health plan, the schedule of Town's contributions and the schedule of Town's proportionate share of the net pension liability be presented to supplement the basic financial statements. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the Town of Chesterfield, South Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chesterfield, South Carolina's internal control over financial reporting and compliance.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

December 4, 2017

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,709,064	\$ 116,206	\$ 1,825,270
Accrued Interest Receivable	7	5	12
Accounts Receivable, Net	145,975	94,859	240,834
Intergovernmental Receivables	27,945	-	27,945
Internal Balances	62,876	(62,876)	-
Other Assets	-	63	63
Total Current Assets	<u>1,945,867</u>	<u>148,257</u>	<u>2,094,124</u>
NON-CURRENT ASSETS			
RESTRICTED ASSETS			
Cash and Cash Equivalents	318,604	132,307	450,911
Customer Deposits Held in Trust	-	58,668	58,668
Total Restricted Assets	<u>318,604</u>	<u>190,975</u>	<u>509,579</u>
CAPITAL ASSETS			
Land and Construction in Progress	732,867	35,973	768,840
Other Capital Assets, Net of Accumulated Depreciation	4,345,526	4,891,070	9,236,596
Total Capital Assets	<u>5,078,393</u>	<u>4,927,043</u>	<u>10,005,436</u>
Total Non-Current Assets	<u>5,396,997</u>	<u>5,118,018</u>	<u>10,515,015</u>
Total Assets	<u>7,342,864</u>	<u>5,266,275</u>	<u>12,609,139</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Pension Outflow	189,338	-	189,338
Total Deferred Outflow of Resources	<u>189,338</u>	<u>-</u>	<u>189,338</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	59,922	54,708	114,630
Accrued Liabilities	974	-	974
Accrued Interest on Bonds Payable	6,257	5,290	11,547
Current Portion of Long-Term Obligations	63,951	110,950	174,901
Total Current Liabilities	<u>131,104</u>	<u>170,948</u>	<u>302,052</u>
NON-CURRENT LIABILITIES			
Compensated Absences	34,979	-	34,979
Liabilities Payable from Restricted Assets			
Customer Deposits	-	58,668	58,668
Net Pension Liability	928,662	-	928,662
Non-Current Portion of Long-Term Obligations	530,823	2,828,784	3,359,607
Total Non-Current Liabilities	<u>1,494,464</u>	<u>2,887,452</u>	<u>4,381,916</u>
Total Liabilities	<u>1,625,568</u>	<u>3,058,400</u>	<u>4,683,968</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Pension Inflow	104,390	-	104,390
Deferred Revenue	220,234	-	220,234
Deferred Revenue Held in Restricted Assets	318,604	-	318,604
Total Deferred Inflow of Resources	<u>643,228</u>	<u>-</u>	<u>643,228</u>
NET POSITION			
Net Investment in Capital Assets	4,483,619	1,987,309	6,470,928
Restricted for:			
Debt Service	-	132,307	132,307
Unrestricted	779,787	88,259	868,046
Total Net Position	<u>\$ 5,263,406</u>	<u>\$ 2,207,875</u>	<u>\$ 7,471,281</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
STATEMENT of ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 372,497	\$ 374,599	\$ -	\$ 31,951	\$ 34,053	\$ -	\$ 34,053
Public Safety	581,897	137,000	-	-	(444,897)	-	(444,897)
Highways and Streets	355,245	-	-	-	(355,245)	-	(355,245)
Sanitation	196,049	227,291	-	-	31,242	-	31,242
Health and Welfare	176,032	174,474	-	-	(1,558)	-	(1,558)
Interest on Long-Term Debt	14,438	-	-	-	(14,438)	-	(14,438)
Total Governmental Activities	<u>1,696,158</u>	<u>913,364</u>	<u>-</u>	<u>31,951</u>	<u>(750,843)</u>	<u>-</u>	<u>(750,843)</u>
Business-Type Activities:							
Water and Sewer Charges	<u>775,067</u>	<u>827,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,609</u>	<u>52,609</u>
Total Business-Type Activities	<u>775,067</u>	<u>827,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,609</u>	<u>52,609</u>
Total Primary Government	<u>\$ 2,471,225</u>	<u>\$ 1,741,040</u>	<u>\$ -</u>	<u>\$ 31,951</u>	<u>(750,843)</u>	<u>52,609</u>	<u>(698,234)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
					750,725	-	750,725
					50,181	-	50,181
					8,146	228	8,374
					108,536	-	108,536
					<u>917,588</u>	<u>228</u>	<u>917,816</u>
					166,745	52,837	219,582
					<u>\$ 5,096,661</u>	<u>\$ 2,155,038</u>	<u>\$ 7,251,699</u>
					<u>\$ 5,263,406</u>	<u>\$ 2,207,875</u>	<u>\$ 7,471,281</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Special Revenue	Capital Projects	Total
ASSETS				
Cash on Hand and in Banks	\$ 1,554,715	\$ 13,604	\$ 140,745	\$ 1,709,064
Accrued Interest on Investments	6	1	-	7
Other Accounts Receivable	585	-	145,390	145,975
Due from Other Funds	109,938	-	16,844	126,782
Due from Chesterfield/Cheraw Industrial Park	-	-	14,451	14,451
Due from Local Government	13,494	-	-	13,494
Restricted Assets				
Cash in Bank	318,604	-	-	318,604
Total Assets	\$ 1,997,342	\$ 13,605	\$ 317,430	\$ 2,328,377
LIABILITIES, DEFERRED INFLOW and FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 58,919	\$ -	\$ 1,003	\$ 59,922
Payroll Taxes and Employee Benefits	974	-	-	974
Due to Other Funds	-	63,906	-	63,906
Accrued Interest on Bonds Payable	-	-	6,257	6,257
Total Liabilities	59,893	63,906	7,260	131,059
Deferred Inflow of Resources				
Deferred Revenue	220,097	137	-	220,234
Deferred Revenue in Restricted Assets	318,604	-	-	318,604
Total Deferred Inflow of Resources	538,701	137	-	538,838
FUND BALANCE				
Restricted	-	(50,438)	310,170	259,732
Assigned	318,604	-	-	318,604
Unassigned	1,080,144	-	-	1,080,144
Total Fund Balance	1,398,748	(50,438)	310,170	1,658,480
Total Liabilities and Fund Balance	\$ 1,997,342	\$ 13,605	\$ 317,430	\$ 2,328,377

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2017

Total Fund Balance for Governmental Funds		
Total Net Position reported for governmental activities in the statement of net position is different because:		\$ 1,658,480
Capital assets of \$8,100,293 net of accumulated depreciation of \$3,021,900, are not financial resources and, therefore, are not reported in the funds.		5,078,393
Deferred outflows and inflows related to the pension liability are applicable to future periods and therefore are not reported in the governmental funds:		
Deferred outflows-pension		189,338
Deferred inflows-pension		(104,390)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bond	\$ (167,476)	
Governmental Leases Payable	(427,298)	
Net Pension Liability	(928,662)	
Compensated Absences	(34,979)	(1,558,415)
		(1,558,415)
Total Net Position of Governmental Activities		\$ 5,263,406

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	General	Special Revenue	Capital Projects	Total
REVENUES				
Taxes	\$ 750,725	\$ -	\$ -	\$ 750,725
Licenses and Permits	374,599	-	-	374,599
Intergovernmental Revenues	50,181	31,951	-	82,132
Charges for Services	401,765	-	-	401,765
Fines and Forfeitures	137,000	-	-	137,000
Miscellaneous	82,182	9,550	16,804	108,536
Interest Income	301	18	7,827	8,146
Total Revenues	<u>1,796,753</u>	<u>41,519</u>	<u>24,631</u>	<u>1,862,903</u>
EXPENDITURES				
Current:				
General Government	230,083	-	17,468	247,551
Public Safety	535,540	-	-	535,540
Highways and Streets	314,947	-	-	314,947
Sanitation	190,401	-	-	190,401
Health and Welfare	115,005	30,150	-	145,155
Capital Outlay	23,309	11,551	-	34,860
Debt Service				
Principal	34,177	-	5,329	39,506
Interest	7,518	-	6,920	14,438
Total Expenditures	<u>1,450,980</u>	<u>41,701</u>	<u>29,717</u>	<u>1,522,398</u>
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	257,839	-	-	257,839
Total Other Financing Sources (Uses)	<u>257,839</u>	<u>-</u>	<u>-</u>	<u>257,839</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	603,612	(182)	(5,086)	598,344
FUND BALANCE, Beginning of Year	795,136	(50,256)	315,256	1,060,136
FUND BALANCE, End of Year	<u>\$ 1,398,748</u>	<u>\$ (50,438)</u>	<u>\$ 310,170</u>	<u>\$ 1,658,480</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES,
and CHANGES in FUND BALANCE to the STATEMENT of ACTIVITIES
For the Year Ended June 30, 2017

Net Changes in Fund Balance - Total Governmental Funds

The change in net position reported for governmental activities in the statement of activities is different because: \$ 598,344

Governmental funds report capital as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$246,864 exceeded net capital outlays of \$34,860 (212,004)

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of debt repayments for the period are \$39,506 and the amount of debt issued is \$257,839. (218,333)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include:

Net decrease in compensated absences	4,352
Net increase in net pension related net liabilities	<u>(5,614)</u>

Changes in Net Position of Governmental Activities \$ 166,745

TOWN of CHESTERFIELD, SOUTH CAROLINA
 STATEMENT of NET POSITION – PROPRIETARY FUND
 June 30, 2017

ASSETS	
CURRENT ASSETS	
Cash	\$ 116,206
Water and Sewer Accounts Receivable, Net	94,859
Other Assets	68
Total Current Assets	<u>211,133</u>
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Cash-Reserve Bond	132,307
Cash-Customer Deposits	58,668
Total Restricted Assets	<u>190,975</u>
CAPITAL ASSETS	
Land	35,973
Improvements	6,838,993
Vehicles	43,545
Water System	2,337,146
Sub-Total	<u>9,255,657</u>
Less Accumulated Depreciation	<u>4,328,614</u>
Total Capital Assets	<u>4,927,043</u>
Total Non-Current Assets	<u>5,118,018</u>
Total Assets	<u>5,329,151</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	54,708
Accrued Interest Payable	5,290
Due to Other Funds	62,876
Notes Payable	64,868
Serial Bonds Payable, Current	46,082
Total Current Liabilities	<u>233,824</u>
NON-CURRENT LIABILITIES	
Liabilities Payable from Restricted Assets	
Customers' Deposits	58,668
Notes Payable, Non-Current	237,735
Serial Bonds Payable, Non-Current	2,591,049
Total Non-Current Liabilities	<u>2,887,452</u>
Total Liabilities	<u>3,121,276</u>
NET POSITION	
Net Investment in Capital Assets	1,987,309
Restricted for Debt Service	132,307
Unrestricted	88,259
Total Net Position	<u>\$ 2,207,875</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION -
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2017

OPERATING REVENUES	
Water Charges	\$ 373,194
Sewer Service Charges	424,220
Tap-On Fees and Reconnect Charges	21,171
Miscellaneous	9,091
Total Operating Revenues	<u>827,676</u>
OPERATING EXPENSES	
Supplies	195,341
Utilities and Telephone	35,388
Professional Services	155,904
Miscellaneous	28,583
Depreciation	239,057
Total Operating Expenses	<u>654,273</u>
Operating Income	<u>173,403</u>
NON-OPERATING INCOME (EXPENSE)	
Investment Income	228
Interest Expense	(120,794)
Total Non-operating Income (Expense)	<u>(120,566)</u>
Net Income	<u>52,837</u>
NET POSITION, Beginning of Year	<u>2,155,038</u>
NET POSITION, End of Year	<u><u>\$ 2,207,875</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2017

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers and Others	\$ 822,407
Cash Payments to Suppliers for Goods and Services	<u>(386,559)</u>
Net Cash Provided by Operating Activities	<u>435,848</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Net Purchase of Assets	-
Principal Paid on Revenue Bonds	(50,028)
Principal Paid on Leases Payable	(112,349)
Interest Paid on Bonds	<u>(120,794)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(283,171)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest on Investments	<u>228</u>
Net Cash Provided by Investing Activities	<u>228</u>
Net Increase in Cash and Cash Equivalents	152,905
Cash and Cash Equivalents at Beginning of Year	<u>154,276</u>
Cash and Cash Equivalents at End of Year	<u>\$ 307,181</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 173,403
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	239,057
Changes in Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts Receivable	(5,269)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	27,115
Accrued Interest Payable	(978)
Customer Deposits	<u>2,520</u>
Net Cash Provided by Operating Activities	<u>\$ 435,848</u>
RECONCILIATION OF CASH FLOWS	
Cash	\$ 116,206
Cash - Reserve Bond	132,307
Cash - Customer Deposits	<u>58,668</u>
	<u>\$ 307,181</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

Notes to the Financial Statements
June 30, 2017

NOTE 1 SUMMARY of ACCOUNTING POLICIES

The Town of Chesterfield was incorporated February 5, 1872, under a charter granted by the Secretary of State of South Carolina. On June 22, 1976, the Town adopted the mayor-council form of government under the provisions of Section 47-20 of the South Carolina Code of Laws, as amended. A new certificate of incorporation was issued on that date. The Town provides the following services as authorized by its charter: public safety (police and fire), street and sanitation, health and welfare, water and sewer and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

A. Reporting Entity

The financial statements of the Town consist only of the funds of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, streets and sanitation, health and welfare, and general administrative services are classified as governmental activities. The Town's utility services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town.

- a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects are used to account for financial resources to be used for the acquisition and development of capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Basis of Accounting

The government-wide statement reports using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

D. Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

E. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Water and Sewer Funds. The General Fund Budget is adopted on a basis substantially consistent with the basis of accounting utilized by that fund. The Water and Sewer Fund budget is adopted on the cash basis.

The Town Council approves by ordinance the budget appropriations by department. Unused appropriations lapse at the end of the year.

The Town does not utilize a formal method of encumbrance accounting and reporting.

The Town has not presented budget information for special revenue funds and capital project funds since budgetary control is maintained on an individual grant basis. Due to timing, this information may not be meaningful.

F. Cash and Investments

For purposes of cash flows, the Town considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statutes permits the Town to invest in the following types of instruments:

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

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

G. Inventory

The proprietary fund inventory consists primarily of chemicals and supplies which are recorded at lower of cost or market.

H. Receivables and Allowance for Uncollectible Accounts

The Town positively enforces the property tax collection policies described in Note 1-J, thus all property taxes receivable are expected to be fully collectible. Allowance for uncollectible accounts receivable in the enterprise fund at year end is \$71,517 at June 30, 2017.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

I. Capital Assets, Depreciation and Amortization

Capital assets are stated at historical cost or estimated historical cost. Donated capital assets are stated at their fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	20 - 60 Years
Mobile Equipment	5 Years
Furniture, Fixtures and Equipment	5 Years

No valuation has been made of plant assets in existence prior to the improvements under the 1960 bond issue and plant assets acquired by the Town prior to May 1, 1949. It is estimated that these assets are fully depreciated at, or prior to June 30, 2017. Depreciation is computed on the known improvements to the system since 1960 and system assets acquired by the Town since May 1, 1949. Cost of extensions to the system is based on estimates by the water superintendent since no records are maintained for the installation of each tap.

The capitalized cost of assets includes not only purchase price or construction cost, but also ancillary charges (such as site preparation and professional fees) and construction-period interest.

J. Revenue Recognition - Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on real property. Assessment is made by Chesterfield County. The Town provides the County with the tax levy, and the County prints the tax notices for the Town. The tax levy for 2016 was 135 mills. Property taxes are due January 15, with a 15% penalty added January 16. Notice of Levy to Taxes is sent by certified mail to delinquent taxpayers May 1. After May 1, additional costs of collection are added. Property is duly advertised for three consecutive weeks in July and sold for taxes, penalties and costs of sales on the first Monday in August.

Property tax revenues are recognized when they become available. Available includes those property taxes expected to be collected within sixty days after year end.

K. Compensated Absences

The Town permits employees to accumulate a limited amount of compensated absences. Annual leave will be accrued at the rate of one day for each calendar month worked. Annual leave will be accrued to a maximum of forty-five days. Vacation days accrued past forty-five days are lost if not used within the fiscal year of the Town. Upon termination of employment with the Town, an employee shall be paid for accrued annual leave which has been accrued but not used. Employees will not be paid for accrued annual leave if they resign before they have worked one year.

Sick leave is accrued at the rate of one working day per calendar month to a maximum of ninety days beginning with the first month of employment. Upon termination of employment with the Town, an employee shall not be paid for any sick leave which has been accrued but not used.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

In the event an employee is required to devote an unusual amount of extra time to the work of the Town, the Mayor may provide for compensatory time off for such an employee.

Accumulated unpaid compensated absences totaled \$34,979 at June 30, 2017 for Town employees. Accumulated unpaid compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds reports only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets these criterion-- pension-related deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets these criterion—deferred revenue and pension-related deferrals.

M. Net Position

Net position is classified and presented in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any mortgages, notes payable, or other borrowings, that are attributable to the acquisitions, construction, or improvement of those assets.

Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets”.

N. Fund Balance

The Town has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government’s fund balance more transparent. The following classification describes the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.
- Committed fund balance—amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest level action to remove or change the constraint;

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.
- When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

O. General Obligation Bonded Debt Service

The Town levies and collects annually upon all taxable property in the Town an ad valorem tax sufficient to pay the principal of and interest on its general obligation bonds as they respectively mature. The projected annual requirement takes into consideration the following items: the beginning fund balance available, the maintenance of an adequate ending balance, and the maintenance of an allocation rate large enough to satisfy the minimum amounts prescribed by the bond ordinances.

P. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the Town's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Grants

In the normal course of operations, the Town 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 ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 2 CASH AND INVESTMENTS

Deposits are shown at carrying value at June 30, 2017, as follows:

	1	2	3	Bank Balance	Total Carrying Amount
Checking Accounts	\$ 267,575	\$ 531,947	\$ -	\$ 799,522	\$ 808,351
Savings Accounts	623,238	227,148	248,926	1,099,312	1,099,313
Certificates of Deposit	12,153	-	414,699	426,852	426,850
	<u>\$ 902,966</u>	<u>\$ 759,095</u>	<u>\$ 663,625</u>	<u>\$ 2,325,686</u>	<u>2,334,514</u>
Cash on Hand and Other					335
					<u>\$ 2,334,849</u>

NOTE 2 CASH AND INVESTMENTS (Continued)

The Town's deposits are categorized to indicate the level of risk assumed by the Town at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Town's name.

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$2,325,686 at June 30, 2017, that was fully insured by depository insurance or secured with collateral held by the Town's agent in its name.

A reconciliation of cash and cash equivalents at June 30, 2017 as shown in the combined Statement of Net Position for the primary government follows:

Petty Cash and Other	\$ 335
Carrying Amount of Deposits	<u>2,334,514</u>
Total	<u><u>\$ 2,334,849</u></u>
Cash and Cash Equivalents	\$ 1,825,270
Cash and Cash Equivalents - Restricted	<u>509,579</u>
Total	<u><u>\$ 2,334,849</u></u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
GOVERNMENTAL ACTIVITIES:				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 732,867	\$ -	\$ -	\$ 732,867
Total Capital Assets not Being Depreciated	<u>732,867</u>	<u>-</u>	<u>-</u>	<u>732,867</u>
Other Capital Assets:				
Land Improvements	29,993	-	-	29,993
Buildings and Improvements	5,316,949	27,328	-	5,344,277
Equipment	904,198	7,532	-	911,730
Furniture and Fixtures	50,370	-	-	50,370
Automotive Equipment	234,266	-	(54,122)	180,144
Streets, Sidewalks, Etc.	850,912	-	-	850,912
Total Other Capital Assets at Historical Cost	<u>7,386,688</u>	<u>34,860</u>	<u>(54,122)</u>	<u>7,367,426</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,455,634)	(139,146)	-	(1,594,780)
Equipment	(675,483)	(51,960)	-	(727,443)
Furniture and Fixtures	(38,926)	(3,380)	-	(42,306)
Automotive Equipment	(228,546)	(5,721)	54,122	(180,145)
Land Improvements	(29,993)	-	-	(29,993)
Streets, Sidewalks, Etc.	(400,576)	(46,657)	-	(447,233)
Total Accumulated Depreciation	<u>(2,829,158)</u>	<u>(246,864)</u>	<u>54,122</u>	<u>(3,021,900)</u>
Other Capital Assets, Net Governmental Activities	<u>4,557,530</u>	<u>(212,004)</u>	<u>-</u>	<u>4,345,526</u>
Capital Assets, Net	<u><u>\$ 5,290,397</u></u>	<u><u>\$ (212,004)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,078,393</u></u>

NOTE 3 CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
BUSINESS-TYPE ACTIVITIES:				
Capital Assets not Being Depreciated:				
Land and Improvements	35,973	-	-	35,973
Total Capital Assets not Being Depreciated	35,973	-	-	35,973
Other Capital Assets:				
Improvements	6,838,993	-	-	6,838,993
Vehicles	43,545	-	-	43,545
Water System	2,337,146	-	-	2,337,146
Total Other Capital Assets at Historical Cost	9,219,684	-	-	9,219,684
Less Accumulated Depreciation	(4,089,558)	(239,056)	-	(4,328,614)
Other Capital Assets, Net	5,130,126	(239,056)	-	4,891,070
Business-Type Activities Capital Assets, Net	<u>\$ 5,166,099</u>	<u>\$ (239,056)</u>	<u>\$ -</u>	<u>\$ 4,927,043</u>

Depreciation expense for the year ended June 30, 2017, was charged to functions as follows:

GOVERNMENT ACTIVITIES:	
General Government	\$ 123,684
Public Safety	46,357
Highways and Streets	40,298
Sanitation	5,648
Health and Welfare	30,877
Total Governmental Activities Depreciation Expense	<u>\$ 246,864</u>
BUSINESS-TYPE ACTIVITIES:	
Water and Sewer System	\$ 239,056
Total Business-Type Activities Depreciation Expense	<u>\$ 239,056</u>

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND

The following is a summary of the long-term liability activity of the proprietary fund for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Payable Within One Year
<u>Serial Bonds Payable</u>					
1994 Revenue Bond payable to FmHA in monthly installments of \$2,356 and maturing November, 2034, including interest at 5.25%	\$ 333,285	\$ -	\$ 11,036	\$ 322,249	\$ 11,629
2004 Revenue Refunding Bond payable to Sentry Bank and Trust in annual installments of \$41,516 and maturing December, 2016, including interest at 4.10%	5,791	-	5,791	-	-
2011A Revenue Bond Payable to USDA in monthly payments of \$919 and maturing May 13, 2051, including interest at 4.375%	195,975	-	2,504	193,471	2,623
2011B Revenue Bond Payable to USDA in monthly payments of \$9,240 and maturing June 13, 2051, including interest at 3.75%	2,152,108	-	30,697	2,121,411	31,830
Sub-Total	<u>2,687,159</u>	<u>-</u>	<u>50,028</u>	<u>2,637,131</u>	<u>46,082</u>
<u>Notes Payable</u>					
Loan payable to Sentry Bank and Trust in monthly installments of \$2,141 and maturing April, 2019, including interest at 4%	49,971	-	49,971	-	-
Lease-purchase financing payable to Branch Banking and Trust Company in annual payments of \$41,705 and maturing April 25, 2023, including interest at 3.96%	250,685	-	31,778	218,907	33,036
Lease-purchase financing payable to Branch Banking and Trust Company in annual payments of \$5,159 and maturing April 25, 2023, including interest at 3.96%	31,012	-	3,931	27,081	4,087
Loan Payable for BB&T Lease in annual payments of \$41,705 maturing December 1, 2018 with an interest rate of 4.04%	83,284	-	26,669	56,615	27,745
Sub-Total	<u>414,952</u>	<u>-</u>	<u>112,349</u>	<u>302,603</u>	<u>64,868</u>
Total Proprietary Fund Long-Term Debt	<u>\$ 3,102,111</u>	<u>\$ -</u>	<u>\$ 162,377</u>	<u>\$ 2,939,734</u>	<u>\$ 110,950</u>

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND (Continued)

The annual requirements to amortize notes payable as of June 30, 2017 are:

	1994 Revenue Bond		2011B Revenue Bond		2011A Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 11,629	\$ 16,643	\$ 31,830	\$ 79,050	\$ 2,623	\$ 8,405
2019	12,255	16,017	33,044	77,836	2,740	8,288
2020	12,914	15,358	34,305	76,575	2,863	8,165
2021	13,608	14,664	35,613	75,267	2,990	8,038
2022	14,340	13,932	36,972	73,908	3,124	7,904
2023-2027	84,132	57,228	207,126	347,274	17,840	37,300
2028-2032	109,324	32,036	249,769	304,631	22,194	32,946
2033-2037	64,047	4,295	301,191	253,209	27,609	27,531
2038-2042	-	-	363,199	191,201	34,347	20,793
2043-2047	-	-	437,974	116,426	42,728	12,412
2048-2051	-	-	390,390	29,117	34,412	2,628
Total	<u>\$ 322,249</u>	<u>\$ 170,173</u>	<u>\$ 2,121,412</u>	<u>\$ 1,624,495</u>	<u>\$ 193,471</u>	<u>\$ 174,409</u>

	BB&T Lease Payable		BB&T Lease Payable		BB&T Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 4,087	\$ 1,072	\$ 33,036	\$ 8,669	\$ 27,745	\$ 2,287
2019	4,249	911	34,344	7,361	28,868	1,166
2020	4,417	742	35,704	6,000	-	-
2021	4,592	567	37,118	4,587	-	-
2022	4,774	386	38,588	3,117	-	-
2023-2027	4,963	196	40,116	1,589	-	-
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-
2048-2051	-	-	-	-	-	-
Total	<u>\$ 27,082</u>	<u>\$ 3,875</u>	<u>\$ 218,907</u>	<u>\$ 31,322</u>	<u>\$ 56,613</u>	<u>\$ 3,454</u>

	Totals	
	Principal	Interest
2018	\$ 110,950	\$ 116,126
2019	115,500	111,578
2020	90,203	106,841
2021	93,922	103,122
2022	97,798	99,246
2023-2027	354,178	443,587
2028-2032	381,286	369,614
2033-2037	392,847	285,035
2038-2042	397,546	211,994
2043-2047	480,702	128,838
2048-2051	424,802	31,745
Total	<u>\$ 2,939,734</u>	<u>\$ 2,007,726</u>

The Town has complied with all significant covenants.

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the governmental fund debt as June 30, 2017 is as follows:

General Obligation Bond, \$12,449, Annually for 30 years at 4.125% Interest, Matures 8/3/37	\$ 167,477
Lease Obligation Payable, \$10,361 Annually at 1.9% Interest, Matures 3/30/20	29,939
Lease Obligation Payable, \$31,333 Annually at 3.99% Interest, Matures 7/15/21	139,519
Lease Obligation Payable, \$29,400 Annually at 2.46% Interest, Matures 6/30/27	<u>257,839</u>
Total Bonds, Notes and Lease Obligations Payable	594,774
Liability for Compensated Absences	<u>34,979</u>
Total Governmental Fund Long-Term Debt	<u><u>\$ 629,753</u></u>

The following is a summary of the governmental fund debt activity for the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017	Within One Year
Capital Leases	\$ 203,842	\$ 257,839	\$ 34,383	\$ 427,298	\$ 58,612
General Obligation Bond	172,599	-	5,123	167,476	5,339
Total Bonds, Notes, and Leases Payable	<u>376,441</u>	<u>257,839</u>	<u>39,506</u>	<u>594,774</u>	<u>\$ 63,951</u>
Compensated Absences	<u>39,331</u>	<u>(4,352)</u>	<u>-</u>	<u>34,979</u>	
Total Governmental Activities Long-Term Debt	<u><u>\$ 415,772</u></u>	<u><u>\$ 253,487</u></u>	<u><u>\$ 39,506</u></u>	<u><u>\$ 629,753</u></u>	

The annual debt service requirements to maturity, including principal and interest as of June 30, 2017 are as follows:

	Government Obligation Bond		Lease Obligation Dump Truck	
	Principal	Interest	Principal	Interest
	2018	\$ 5,339	\$ 7,325	\$ 9,793
2019	5,563	7,110	9,979	384
2020	5,797	6,885	10,167	193
2021	6,040	6,652	-	-
2022	6,294	6,408	-	-
2023-2027	35,671	27,034	-	-
2028-2032	43,828	19,159	-	-
2033-2037	58,944	10,567	-	-
Total	<u><u>\$ 167,476</u></u>	<u><u>\$ 91,140</u></u>	<u><u>\$ 29,939</u></u>	<u><u>\$ 1,146</u></u>

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT (Continued)

	Lease Obligation 2012 Fire Truck		Lease Obligation 2017 Fire Truck		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 25,762	\$ 5,571	\$ 23,057	\$ 6,343	\$ 63,951
2019	26,791	4,542	23,624	5,776	65,957	17,812
2020	27,861	3,472	24,205	5,194	68,030	15,744
2021	28,773	2,359	24,800	4,599	59,613	13,610
2022	30,332	1,203	25,410	3,988	62,036	11,599
2023-2027	-	-	136,743	10,255	172,414	37,289
2028-2032	-	-	-	-	43,828	19,159
2033-2037	-	-	-	-	58,944	10,567
Total	\$ 139,519	\$ 17,147	\$ 257,839	\$ 36,155	\$ 594,773	\$ 145,588

NOTE 6 INTERFUND RECEIVABLES and PAYABLE

The following is a summary of amounts due from and due to other funds at June 30, 2017:

	Due to Capital Projects	Due to General Fund	Total
Due from Special Revenue	\$ 63,906	\$ -	\$ 63,906
Due (to) from Water & Sewer	(17,062)	79,938	62,876
Due (to) from Capital Projects	(30,000)	30,000	-
	\$ 16,844	\$ 109,938	\$ 126,782

NOTE 7 COMPONENTS OF RESTRICTED ASSETS

Certain assets of the Town have been restricted for debt service, and customer deposits. These assets, which consist of cash and short-term investments at June 30, 2017, were as follows:

	General Fund	Proprietary Fund Type
Restricted Assets		
Reserve for Victim Assistance and Fines	\$ 42,104	\$ -
Reserve for Hospitality Tax	89,095	-
Local Option Sale Tax	186,838	-
Bail Bonds Deposited	567	-
Customer Deposits	-	58,668
Reserve for Cushion	-	132,307
Total Restricted Assets	\$ 318,604	\$ 190,975
Payable from Restricted Assets	\$ 318,604	\$ 190,975

NOTE 8 RETIREMENT PLAN

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

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

Membership

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

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

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

NOTE 8 RETIREMENT PLAN (Continued)

Benefits

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

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

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

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

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

NOTE 8 RETIREMENT PLAN (Continued)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

The following provides a summary of the Town of Chesterfield, South Carolina's actual retirement plan contributions at June 30, 2017: (includes group life insurance)

<u>Retirement System</u>	<u>Covered</u>	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
	<u>Salaries</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
SCRS	\$ 258,250	\$ 22,365	\$ 29,854	\$ 52,219
PORS	\$ 187,870	\$ 17,359	\$ 26,377	\$ 43,736
		<u>Contribution Rates</u>		
		<u>Employee</u>	<u>Employer</u>	<u>Total</u>
SCRS		8.66%	11.41%	20.07%
PORS		9.24%	13.84%	23.08%

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

At June 30, 2017, the Town reported a liability of \$928,662 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The Town's proportion was .0029 % for the SCRS and .0125% for the PORS.

For the year ended June 30, 2017, the Town recognized pension expense of \$61,844. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 104,390
Liability Experience	133,108	-
Town Contributions Subsequent to the Measurement Date	56,230	-
Total	<u>\$ 189,338</u>	<u>\$ 104,390</u>

NOTE 8 RETIREMENT PLAN (Continued)

The \$56,230 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,

2018	\$ (2,892)
2019	(6,438)
2020	22,169
2021	15,879

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS. The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (Varies by service)	3.5% to 12.5% (Varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000.

NOTE 8 RETIREMENT PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2014, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			<u>7.85%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State 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.

NOTE 8 RETIREMENT PLAN (Continued)

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

	Discount Rate	Town's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	\$ 1,110,159
Current Discount Rate	7.50%	\$ 928,662
1% Increase	8.50%	\$ 638,021

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE 9 SHARED GRANT with TOWN of CHESTERFIELD

In an effort to attract quality industry into the Chesterfield/Chesterfield area, the two Towns applied for a joint grant where they could combine their efforts and resources to develop an industrial park project primarily by developing infrastructure for water and sewer. The portion attributed to the Town of Chesterfield is reported under "Capital Projects Funds".

NOTE 10 POST-EMPLOYMENT EMPLOYEE BENEFITS

In 2009, the Town implemented *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard required the Town to recognize post-employment benefits, mainly health insurance, when earned rather than on a pay as you go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their post-employment benefit, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the statement of net position over time.

Plan Description: In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the Town has autonomy in establishing retiree and post-employment benefits. The Town provides a certain dollar amount to be used for health insurance benefits to certain active and retired Town employees. Full-time employees of the Board who had completed 15 years of service who retired by December 101, 2011 were eligible to receive these benefits. The Town has elected to continue coverage on one employee who had previously retired. After the employee reaches Medicare eligible age, the benefit will close and the Board will not pay any portion of the employee only health insurance. As of July 1, 2016, the valuation date, two retirees met the eligibility requirement for the plan.

Funding Policy: Employer and employee contribution rates are established by the South Carolina Local Government Assurance Group. The Board currently funds post-employment health insurance on a pay-as-you go basis. As of July 1, 2016, the valuation date, the Town contributes a flat dollar amount of the premium cost.

NOTE 10 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligations: The Town's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer. The ARC is an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 25 years.

The following table shows the components of the Board's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Board's net OPEB obligation based on an actuarial valuation as of July 1, 2016.

Annual Required Contribution (ARC)	<u>\$ 7,282</u>
Annual OPEB cost	7,282
Contributions Made	
Change in Net OPEB Obligation	<u>(7,282)</u>
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u>\$ -</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	7,605	100%	-
2016	7,605	100%	-
2017	7,282	100%	-

Funded Status and Funding Progress: The funding status of the plan as of June 30, 2017, based on an actuarial valuation as of July 1, 2016 was as follows:

Actuarially Accrued Liability (AAL)	\$ 69,833
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 69,833</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 10 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

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

In the July 1, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2% investment rate of return and an annual health care cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.7% after 10 years. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis.

There are no other post-employment benefits offered by the Board other than that is required under the Consolidated Omnibus Budget and Reconciliation Act (COBRA). As required, the Board provides health insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no associated cost to the Town under this program.

NOTE 11 SUBSEQUENT EVENTS

The Town evaluated all events or transactions that occurred after June 30, 2017, through the date of December 4, 2017 when the Town issued these financial statements. During this period, the Town did not have any material subsequent events that required recognition in the Town's disclosures to the June 30, 2017, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN of CHESTERFIELD, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 668,268	\$ 668,268	\$ 750,725	\$ 82,457
Licenses and Permits	373,300	373,300	374,599	1,299
Intergovernmental Revenues	46,078	46,078	50,181	4,103
Charge for Services	393,120	393,120	401,765	8,645
Fines and Forfeits	91,000	91,000	137,000	46,000
Miscellaneous	10,860	10,860	82,182	71,322
Interest Income	100	100	301	201
Total Revenues	1,582,726	1,582,726	1,796,753	214,027
EXPENDITURES				
General Government	249,382	249,382	230,083	19,299
Public Safety	511,923	511,923	535,540	(23,617)
Highways and Streets	358,326	358,326	314,947	43,379
Sanitation	210,271	210,271	190,401	19,870
Health and Welfare	157,462	157,462	115,005	42,457
Capital Outlay	35,000	35,000	23,309	11,691
Debt Service				
Principal	60,362	60,362	34,177	26,185
Interest	-	-	7,518	(7,518)
Total Expenditures	1,582,726	1,582,726	1,450,980	131,746
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	-	-	257,839	-
Total Other Financing Sources (Uses)	-	-	257,839	-
EXCESS of REVENUES over EXPENDITURES				
	\$ -	\$ -	603,612	\$ 345,773
FUND BALANCE, Beginning of Year			795,136	
FUND BALANCE, End of Year			\$ 1,398,748	

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of FUNDING PROGRESS FOR RETIREE HEALTH PLAN
Years Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
2015	-0-	77,936	77,936	0.0%	-0-
2016	-0-	77,936	77,936	0.0%	-0-
2017	-0-	69,833	69,833	0.0%	-0-

The actuarial valuations used the entry age normal cost method.

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S CONTRIBUTIONS
South Carolina Retirement System
Years Ended June 30,

	2017	2016	2015
Statutorily Required Contributions	\$ 56,231	\$ 51,937	\$ 52,473
Contributions in Relation to Statutorily Required Contributions	56,231	51,937	52,473
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Reporting Unit's Covered-Employee Payroll	\$ 446,120	\$ 436,670	\$ 445,501
Contributions as a Percentage of Covered Employee Payroll	12.6%	11.9%	11.8%

Until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S PROPORTIONATE
SHARE of the NET PENSION LIABILITY
South Carolina Retirement System
Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting Unit's Proportion of South Carolina Retirement System Net Pension Liability (%)	0.0029%	0.0029%	0.0033%
Reporting Unit's Proportion of Police Officers Retirement System Net Pension Liability (%)	0.0125%	0.0137%	0.0140%
Reporting Unit's Proportionate Share of Net Pension Liability	<u>\$ 928,662</u>	<u>\$ 856,579</u>	<u>\$ 837,223</u>
Reporting Unit's Covered Employee Payroll	<u>\$ 446,120</u>	<u>\$ 436,670</u>	<u>\$ 445,501</u>
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	208.2%	196.2%	187.9%

Until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

SUPPLEMENTAL INFORMATION (OPTIONAL)

GENERAL FUND

TOWN of CHESTERFIELD
Chesterfield, South Carolina
GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2017

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
<u>Property Tax</u>			
Current Property Tax	\$ 270,000	\$ 313,293	\$ 43,293
Vehicle Taxes	35,000	44,882	9,882
Homestead Exemption	35,500	35,888	388
Local Option Sales Tax	150,000	167,959	17,959
Local Accommodation Tax	1,100	1,136	36
Motor Carrier Tax	72,000	86,131	14,131
Manufacturing Tax Exemption	3,668	5,053	1,385
Local Hospitality Tax	101,000	96,383	(4,617)
Total Property Tax	<u>668,268</u>	<u>750,725</u>	<u>82,457</u>
<u>License and Franchise Fees</u>			
Business License Insurance	197,000	199,961	2,961
Business and Professional Licenses	32,000	32,145	145
Business License - Telecommunications	12,500	5,551	(6,949)
Business License - Broker Tax	1,600	2,301	701
Business License - Contract	6,000	8,102	2,102
Traffic Safety	-	5,000	5,000
Progress Energy Agreement	105,000	105,869	869
Lynches River Agreement	4,200	4,412	212
Sandhill Telephone	15,000	11,258	(3,742)
Total License and Franchise Fees	<u>373,300</u>	<u>374,599</u>	<u>1,299</u>
<u>State Shared Revenue</u>			
Merchant Inventory Tax	8,078	8,078	-
State Shared	32,000	33,710	1,710
Accommodations Tax	6,000	8,393	2,393
Total State Shared Revenue	<u>46,078</u>	<u>50,181</u>	<u>4,103</u>
<u>Fire Protection</u>			
Fire Protection	125,000	125,185	185
Total Fire Protection	<u>125,000</u>	<u>125,185</u>	<u>185</u>
<u>Garbage Fees</u>			
Garbage Fees	213,000	227,291	14,291
Total Garbage Fees	<u>213,000</u>	<u>227,291</u>	<u>14,291</u>
<u>Rental Fees</u>			
Rent - Guardian Ad Litem	3,900	3,900	-
Rent - Perry Clinic	18,000	18,000	-
Rent - Visitor's Center	9,540	9,830	290
Rent - Hut	6,500	7,625	1,125
Rent - Conference Center	11,000	9,934	(1,066)
Rent - Duke Energy	6,180	-	(6,180)
Total Rental Fees	<u>55,120</u>	<u>49,289</u>	<u>(5,831)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2017

REVENUES (Continued)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Fines</u>			
Fines and Costs	86,000	133,961	47,961
Victim's Assistance	5,000	1,402	(3,598)
Restitution	-	1,637	1,637
Total Fines and Costs	91,000	137,000	46,000
<u>Miscellaneous</u>			
Fire Department-Donations	5,000	16,950	11,950
Commerce Park Maintenance	360	360	-
Yard Sales	50	135	85
Miscellaneous	2,000	56,954	54,954
Copeland Park Utilities Reimbursement	-	2,001	2,001
Phone-Capital Credit-Administration	2,500	2,415	(85)
Phone-Capital Credit-Police	900	755	(145)
Phone-Capital Credit-Fire	50	-	(50)
Donations	-	2,612	2,612
Total Miscellaneous	10,860	82,182	71,322
<u>Interest</u>			
Interest Earned	100	301	201
Total Interest	100	301	201
TOTAL REVENUES	1,582,726	1,796,753	214,027
EXPENDITURES			
<u>General Government</u>			
Salaries	117,179	116,010	1,169
Social Security	8,858	8,709	149
Group Hospitalization	24,900	24,397	503
Retirement	10,004	10,948	(944)
Workman's Compensation	780	433	347
Auto Expenses (Mayor)	2,000	927	1,073
Utilities	5,800	5,317	483
Telephone	7,680	7,141	539
Insurance and Bonds	7,506	10,195	(2,689)
Office Supplies	3,000	2,401	599
Office Equipment (Repair and Maintenance)	1,400	1,102	298
Building Cleaning	250	370	(120)
Building Maintenance	5,000	2,088	2,912
Equipment Replacement	3,500	-	3,500
Miscellaneous	-	(235)	235
Training, Travel, Conferences	10,375	8,847	1,528
Membership Fees	1,000	921	79
Professional Services	40,000	30,360	9,640
Advertisements	150	152	(2)
Total General Government	249,382	230,083	19,299

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2017

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Police Department</u>			
Salaries	196,250	205,311	(9,061)
Social Security	15,025	15,661	(636)
Group Hospitalization	47,942	47,869	73
Retirement	27,752	28,769	(1,017)
Workman's Compensation	6,600	5,924	676
Auto Expense	23,500	24,036	(536)
Utilities	2,500	1,913	587
Telephone	8,100	9,242	(1,142)
Insurance and Bonds	11,664	15,054	(3,390)
Office Supplies	2,000	3,107	(1,107)
Office Equipment (Repairs and Maintenance)	1,000	797	203
Police and I.D. Supplies	2,500	3,301	(801)
Building Cleaning	500	48	452
Building Maintenance	1,000	3,888	(2,888)
Equipment Replacement	1,500	96	1,404
Radio Service Contract	1,500	1,545	(45)
Uniforms	6,000	3,877	2,123
Uniforms-Vests	1,000	-	1,000
Prisoners Board	7,000	3,137	3,863
Fine Assessments	50,000	68,232	(18,232)
Victim Assistance	900	1,401	(501)
Training, Meals, Travel	2,500	1,360	1,140
Christmas Party	500	293	207
Membership Fees	500	745	(245)
1033 Program Surplus	500	-	500
Professional Fees	1,000	2,758	(1,758)
Advertising	500	-	500
Drug Buys	190	-	190
Total Police Department	419,923	448,364	(28,441)
<u>Fire Department</u>			
Salaries	30,000	25,713	4,287
Social Security	2,300	1,973	327
Medical Insurance	3,000	1,766	1,234
Retirement	4,000	2,713	1,287
Workman's Compensation	2,000	1,627	373
Truck Expense	5,000	5,083	(83)
Utilities and Heat	3,700	3,184	516
Telephone	2,000	1,944	56
Insurance and Bonds	7,400	9,855	(2,455)
Specialized Department Supply	5,000	6,976	(1,976)
Building Cleaning	100	-	100
Building Maintenance	500	470	30
Equipment Replacement	22,500	4,859	17,641
Radio Service Contract	1,000	1,120	(120)
Uniforms and Turn Out Gear	-	17,236	(17,236)
Donations	1,000	-	1,000
Training, Travel, Meals	2,000	211	1,789
Membership Fees	500	1,491	(991)
Professional Services	-	955	(955)
Total Fire Department	92,000	87,176	4,824

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2017

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Public Properties</u>			
Salaries	100,945	102,391	(1,446)
Social Security	7,800	7,797	3
Group Hospitalization	37,756	24,762	12,994
Retirement	10,756	10,774	(18)
Workman's Compensation	1,200	896	304
Truck Expense	11,700	5,975	5,725
Utilities	121,040	105,070	15,970
Utilities-Christmas	1,900	-	1,900
Telephone	6,700	6,095	605
Insurance and Bonds	26,529	24,770	1,759
Supplies	4,000	2,694	1,306
Building Cleaning	4,000	1,970	2,030
Building Maintenance and Other	14,550	9,467	5,083
Banner Installation	1,100	-	1,100
Christmas Lights	500	2,200	(1,700)
Equipment Replacement	4,500	3,217	1,283
Uniforms	2,000	2,044	(44)
Travel, Training, Conferences	250	-	250
Advertisements	100	-	100
Street Sign Replacement	1,000	4,825	(3,825)
Total Streets	<u>358,326</u>	<u>314,947</u>	<u>43,379</u>
<u>Sanitation</u>			
Salaries	10,200	10,081	119
Social Security	780	769	11
Group Hospitalization	4,741	3,058	1,683
Retirement	1,200	1,158	42
Workman's Compensation	800	891	(91)
Truck Expense	5,000	799	4,201
Insurance and Bonds	739	1,202	(463)
Supplies	250	163	87
Equipment Replacement	2,000	-	2,000
Uniforms	1,021	1,068	(47)
Solid Waste Contract	183,490	171,108	12,382
Advertisements	50	104	(54)
Total Sanitation	<u>210,271</u>	<u>190,401</u>	<u>19,870</u>
<u>Municipal Court</u>			
Salaries	21,725	19,551	2,174
Social Security	1,662	1,503	159
Group Hospitalization	2,500	-	2,500
Retirement	-	2,243	(2,243)
Workman's Compensation	420	409	11
Jurors	600	-	600
Telephone	420	-	420
Insurance and Bonds	851	1,385	(534)
Office Supplies	1,000	1,106	(106)
Restitution	-	1,628	(1,628)
Public Defenders Fees	1,000	-	1,000
Travel, Training, Conferences	2,000	175	1,825
Miscellaneous	100	937	(837)
Membership Fees	350	-	350
Professional Services	360	571	(211)
Total Municipal Court	<u>32,988</u>	<u>29,508</u>	<u>3,480</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2017

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Parks and Recreation</u>			
Hospitality Tax	56,160	51,815	4,345
YMCA	10,900	10,831	69
Total Parks and Recreation	<u>67,060</u>	<u>62,646</u>	<u>4,414</u>
<u>Various</u>			
Economic Development	150	150	-
Library	37,538	21,405	16,133
Contingent	19,726	1,296	18,430
Total Various	<u>57,414</u>	<u>22,851</u>	<u>34,563</u>
<u>Capital Outlay</u>			
Capital Outlay-Police	7,000	-	7,000
Capital Outlay-Fire	28,000	5,531	22,469
Capital Outlay-Public Properties	-	17,778	(17,778)
Total Capital Outlay	<u>35,000</u>	<u>23,309</u>	<u>11,691</u>
<u>Debt Service</u>			
Principal	60,362	34,177	26,185
Interest	-	7,518	(7,518)
Total Debt Service	<u>60,362</u>	<u>41,695</u>	<u>18,667</u>
 TOTAL EXPENDITURES	 <u>1,582,726</u>	 <u>1,450,980</u>	 <u>131,746</u>
 OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	257,839	257,839
Total Other Financing Sources (Uses)	<u>-</u>	<u>257,839</u>	<u>257,839</u>
 EXCESS of REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ 603,612</u>	 <u>\$ 603,612</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

STATEMENT of FINES and ASSESSMENTS
For the Year Ended June 30, 2017

Fines Collected	\$ 62,445
Assessments and Surcharges Collected	66,637
Assessments and Surcharges for Victim's Assistance	<u>7,918</u>
Total Fines, Assessments and Surcharges	<u>\$ 137,000</u>
Fines and Fees Retained by Town	\$ 62,445
Assessments and Surcharges Retained by Town For Victim's Services	<u>7,918</u>
Total Fines, Assessments and Surcharges Retained by Town	<u>\$ 70,363</u>
Total Assessments and Surcharges Remitted to State Treasurer	<u>\$ 66,637</u>

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to the State Treasurer on the State Treasurer's monthly Remittance Form.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the Town to account for the accumulation and disbursement of restricted resources. The following is a description of the Town's Special Revenue Funds:

Fire 1% - To account for allocation of Fire 1% funds

Old Courthouse - To account for restricted funds to be used to renovate the old courthouse.

Community Development - To account for funds restricted for old revenue sharing program.

Accommodation Tax Funds - To account for grant for recreation

PARD Grant Renovation Project - To account for grant for recreation

Police, Fire and Public Works (PW) Grants – To account for various state grants

TOWN of CHESTERFIELD
Chesterfield, South Carolina

SPECIAL REVENUE FUNDS
COMBINING STATEMENT of REVENUES and EXPENDITURES
For the Year Ended June 30, 2017

	Fire 1% Fund	Old Courthouse	Community Development	Accom. Tax Funds. Rec.	Pard Grant Renov. Rec.	Police, Fire and PW Grant	Total
REVENUES							
Grant Income	\$ 8,257	\$ -	\$ -	\$ -	\$ 10,000	\$ 13,694	\$ 31,951
Local Donations	-	-	-	9,550	-	-	9,550
Interest	-	-	18	-	-	-	18
Total Revenues	<u>8,257</u>	<u>-</u>	<u>18</u>	<u>9,550</u>	<u>10,000</u>	<u>13,694</u>	<u>41,519</u>
EXPENDITURES							
Special Activities	8,457	-	-	9,550	10,000	13,694	41,701
Total Expenditures	<u>8,457</u>	<u>-</u>	<u>-</u>	<u>9,550</u>	<u>10,000</u>	<u>13,694</u>	<u>41,701</u>
EXCESS (DEFICIENCY) of REVENUES over (under) EXPENDITURES	(200)	-	18	-	-	-	(182)
BEGINNING FUND BALANCE	<u>1,652</u>	<u>(63,907)</u>	<u>11,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,256)</u>
ENDING FUND BALANCE	<u>\$ 1,452</u>	<u>\$ (63,907)</u>	<u>\$ 12,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,438)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAPITAL PROJECTS FUNDS

The Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities by the Town. The following is a description of the Town's Capital Project Funds:

Cheraw/Chesterfield Industrial Park - This fund is used to account for a joint venture with Chesterfield to develop an industrial park.

Economic Development Fund - This fund is used to account for capital improvements funded by various sources.

TOWN of CHESTERFIELD
Chesterfield, South Carolina

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT of REVENUES and EXPENDITURES
For the Year Ended June 30, 2017

	Cheraw/ Chesterfield Industrial Park	Economic Development Fund	Total
REVENUE			
Other Income	\$ 14,554	\$ 2,250	\$ 16,804
Interest	-	7,827	7,827
Total Revenue	<u>14,554</u>	<u>10,077</u>	<u>24,631</u>
EXPENDITURES			
General Government	16,428	1,040	17,468
Debt Service			
Principal	-	5,329	5,329
Interest	-	6,920	6,920
Total Expenditures	<u>16,428</u>	<u>13,289</u>	<u>29,717</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	(1,874)	(3,212)	(5,086)
BEGINNING FUND BALANCE	<u>16,323</u>	<u>298,933</u>	<u>315,256</u>
ENDING FUND BALANCE	<u>\$ 14,449</u>	<u>\$ 295,721</u>	<u>\$ 310,170</u>

PROPRIETARY FUND

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2017

	Water and Sewer Fund				Variance Favorable (Unfavorable)
	Budget	Water Actual	Sewer Actual	Total Actual	
OPERATING REVENUES					
Water Charges	\$ 355,500	\$ 358,508	\$ -	\$ 358,508	\$ 3,008
DHEC Fees	3,625	3,299	409	3,708	83
Sewer Service	420,000	-	419,422	419,422	(578)
Late Charges	7,500	4,417	4,389	8,806	1,306
Standby Charge Sprinklers	11,500	6,970	-	6,970	(4,530)
Tap Fees - Water	2,000	1,777	-	1,777	(223)
Tap Fees - Sewer	2,000	-	8,655	8,655	6,655
Reconnect Fees	7,300	5,404	5,335	10,739	3,439
Other Income	700	1,514	7,577	9,091	8,391
Total Operating Revenues	<u>810,125</u>	<u>381,889</u>	<u>445,787</u>	<u>827,676</u>	<u>17,551</u>
OPERATING EXPENSES					
<u>Supplies and Line Repairs</u>					
Administration Costs	30,900	31,392	-	31,392	(492)
Maintenance to System	45,000	43,322	36,321	79,643	(34,643)
Supplies - Water	110,500	84,306	-	84,306	26,194
Total Supplies and Line Repairs	<u>186,400</u>	<u>159,020</u>	<u>36,321</u>	<u>195,341</u>	<u>(8,941)</u>
<u>Certificate Cost and Membership Fees</u>					
Certificate Cost and Membership Fees	4,044	4,394	-	4,394	(350)
Total Certificate Cost and Membership Fees	<u>4,044</u>	<u>4,394</u>	<u>-</u>	<u>4,394</u>	<u>(350)</u>
<u>Utilities</u>					
Electricity - Water and Sewer Distribution	875	954	-	954	(79)
Electricity - Wastewater Treatment	11,000	-	8,533	8,533	2,467
Electricity - Sewer	33,000	-	25,901	25,901	7,099
Total Utilities	<u>44,875</u>	<u>954</u>	<u>34,434</u>	<u>35,388</u>	<u>9,487</u>
<u>Office Supplies</u>					
Office Supplies	4,000	4,875	-	4,875	(875)
Total Office Supplies	<u>4,000</u>	<u>4,875</u>	<u>-</u>	<u>4,875</u>	<u>(875)</u>
<u>Insurance and Bonds</u>					
Insurance and Bonds	1,677	1,766	378	2,144	(467)
Total Insurance and Bonds	<u>1,677</u>	<u>1,766</u>	<u>378</u>	<u>2,144</u>	<u>(467)</u>
<u>Professional Services</u>					
Professional Services	204,750	428	155,476	155,904	48,846
Total Professional Services	<u>204,750</u>	<u>428</u>	<u>155,476</u>	<u>155,904</u>	<u>48,846</u>
<u>Other Expenses</u>					
Bad Check Fees	200	158	-	158	42
Travel and Related	700	-	7,664	7,664	(6,964)
Advertising	350	-	-	-	350
Telephone	11,080	-	9,348	9,348	1,732
Total Other Expenses	<u>12,330</u>	<u>158</u>	<u>17,012</u>	<u>17,170</u>	<u>(4,840)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2017

	Water and Sewer Fund				Variance
	Budget	Water Actual	Sewer Actual	Total Actual	Favorable (Unfavorable)
OPERATING EXPENSES (Continued)					
Depreciation					
Depreciation	-	71,835	167,222	239,057	(239,057)
Total Depreciation	-	71,835	167,222	239,057	(239,057)
TOTAL OPERATING EXPENSES	458,076	243,430	410,843	654,273	(196,197)
OPERATING INCOME (LOSS)	352,049	138,459	34,944	173,403	(178,646)
NON-OPERATING INCOME (EXPENSE)					
Investment Income	20	228	-	228	208
Interest Expense	(352,069)	(24,660)	(96,134)	(120,794)	231,275
Total Non-operating Income (Expense)	(352,049)	(24,432)	(96,134)	(120,566)	231,483
CHANGE in NET POSITION	\$ -	\$ 114,027	\$ (61,190)	\$ 52,837	\$ 52,837

CANTEY, TILLER, PIERCE & GREEN, LLP

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the Town Council
Town of Chesterfield
Chesterfield, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Chesterfield, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Chesterfield, South Carolina's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control over Financial Reporting

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

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

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

Findings and Responses

Financial Statement Preparation

Condition – Based on the experience level of the accounting staff at the Town of Chesterfield, South Carolina, we drafted the financial statement and note disclosures.

Criteria – The financial statements are the responsibility of the Town.

Cause – The accounting staff of the accounting firm drafts the financial statements and note disclosures.

Effect – The accounting staff firm drafting the financial statements requires additional procedures to be completed by management to insure that management takes responsibility for the financial statements.

Recommendation – Management is provided with a preliminary draft and asked that they review the financial statements to determine the completeness and accuracy of the financial information. Management has reviewed the financial statements and approved them. Subsequent to approval, a final report was issued.

Separation of Duties

Condition: During our audit we reviewed procedures over transaction cycles related to receipting, cash disbursements, utility billing, and payroll and found the Town to have limited segregation of duties related to the disbursements cycle.

Criteria: Adequate separation of duties calls for clear segregation of functions such as receipts, disbursements, recording, custody of assets, transaction authorization, and performance monitoring.

Cause: The accounting staff of the Town maintains and controls the check stock, prepares checks, records disbursements, prepares deposits and posts to general ledger.

Effect: The existence of this limited segregation of duties increases the risk of misstatement or fraud.

Recommendation: While we recognize the number of staff is not large enough to eliminate these deficiencies entirely, we believe the risk can be reduced by another person reviewing cancelled checks, unopened bank statements and bank reconciliations.

Compliance and Other Matters

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

Town of Chesterfield, South Carolina's Response to Findings

Town of Chesterfield, South Carolina's response to the findings identified in our audit is described above. Town of Chesterfield, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted certain other matters that were reported to management of the Town of Chesterfield, South Carolina in separate letter dated December 4, 2017.

Purpose of this Report

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

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

December 4, 2017