

TOWN OF CHESTERFIELD  
Chesterfield, South Carolina

FINANCIAL STATEMENTS and  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015

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# CANTEY, TILLER, PIERCE & GREEN, LLP

*Certified Public Accountants*

1204 BROAD STREET · POST OFFICE BOX 862  
CAMDEN, SOUTH CAROLINA 29021

PIERCE W. CANTEY, JR., CPA  
RICHARD C. TILLER, CPA, PFS  
JANET M. PIERCE, CPA  
HENRY D. GREEN, III, CPA  
MARY ELLEN GREEN, CPA

MEMBER OF AMERICAN INSTITUTE  
AND SOUTH CAROLINA ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS  
TELEPHONE (803) 432-1436  
FAX (803) 432-5055

## 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, 2015, 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, 2015, 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 10, 2015, 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 10, 2015

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION  
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 807,746	\$ (34,325)	\$ 773,421
Accrued Interest Receivable	7	5	12
Accounts Receivable, Net	178,318	90,991	269,309
Intergovernmental Receivables	80,315	-	80,315
Internal Balances	62,876	(62,876)	-
Other Assets	-	63	63
Total Current Assets	<u>1,129,262</u>	<u>(6,142)</u>	<u>1,123,120</u>
<b>NON-CURRENT ASSETS</b>			
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	156,878	87,011	243,889
Customer Deposits Held in Trust	-	54,942	54,942
Total Restricted Assets	<u>156,878</u>	<u>141,953</u>	<u>298,831</u>
<b>CAPITAL ASSETS</b>			
Land and Construction in Progress	712,445	35,973	748,418
Other Capital Assets, Net of Accumulated Depreciation	4,809,477	5,383,464	10,192,941
Total Capital Assets	<u>5,521,922</u>	<u>5,419,437</u>	<u>10,941,359</u>
Total Non-Current Assets	<u>5,678,800</u>	<u>5,561,390</u>	<u>11,240,190</u>
Total Assets	<u>6,808,062</u>	<u>5,555,248</u>	<u>12,363,310</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Pension Outflow	76,263	-	76,263
Total Deferred Outflow of Resources	<u>76,263</u>	<u>-</u>	<u>76,263</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	48,550	23,268	71,818
Accrued Liabilities	(2,093)	-	(2,093)
Accrued Interest on Bonds Payable	6,648	7,264	13,912
Current Portion of Long-Term Obligations	45,964	162,377	208,341
Total Current Liabilities	<u>99,069</u>	<u>192,909</u>	<u>291,978</u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated Absences	46,043	-	46,043
Liabilities Payable from Restricted Assets			
Customer Deposits	-	54,942	54,942
Net Pension Liability	837,223	-	837,223
Non-Current Portion of Long-Term Obligations	376,643	3,111,141	3,487,784
Total Non-Current Liabilities	<u>1,259,909</u>	<u>3,166,083</u>	<u>4,425,992</u>
Total Liabilities	<u>1,358,978</u>	<u>3,358,992</u>	<u>4,717,970</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Pension Inflow	78,995	-	78,995
Deferred Revenue	207,363	-	207,363
Deferred Revenue Held in Restricted Assets	156,878	-	156,878
Total Deferred Inflow of Resources	<u>443,236</u>	<u>-</u>	<u>443,236</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,099,315	2,145,919	7,245,234
Restricted for:			
Debt Service	-	87,011	87,011
Unrestricted	(17,204)	(36,674)	(53,878)
Total Net Position	<u>\$ 5,082,111</u>	<u>\$ 2,196,256</u>	<u>\$ 7,278,367</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, 2015

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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 365,236	\$ 379,810	\$ -	\$ 63,535	\$ 78,109	\$ -	\$ 78,109
Public Safety	573,575	88,770	-	-	(484,805)	-	(484,805)
Highways and Streets	332,363	-	-	-	(332,363)	-	(332,363)
Sanitation	195,667	224,161	-	-	28,494	-	28,494
Health and Welfare	256,450	138,795	-	-	(117,655)	-	(117,655)
Interest on Long-Term Debt	9,377	-	-	-	(9,377)	-	(9,377)
Total Governmental Activities	<u>1,732,668</u>	<u>831,536</u>	<u>-</u>	<u>63,535</u>	<u>(837,597)</u>	<u>-</u>	<u>(837,597)</u>
<b>Business-Type Activities:</b>							
Water and Sewer Charges	922,105	819,286	-	118,013	-	15,194	15,194
Total Business-Type Activities	<u>922,105</u>	<u>819,286</u>	<u>-</u>	<u>118,013</u>	<u>-</u>	<u>15,194</u>	<u>15,194</u>
Total Primary Government	<u>\$ 2,654,773</u>	<u>\$ 1,650,822</u>	<u>\$ -</u>	<u>\$ 181,548</u>	<u>(837,597)</u>	<u>15,194</u>	<u>(822,403)</u>
					<u>Primary Government</u>		
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property/Other Taxes					680,853	-	680,853
Franchise Taxes (Fees)					52,630	-	52,630
Unrestricted Investment Earnings					9,548	39	9,587
Miscellaneous					114,249	-	114,249
Total General Revenues					<u>857,280</u>	<u>39</u>	<u>857,319</u>
Change in Net Position					19,683	15,233	34,916
Net Position, Beginning of Year					5,893,163	2,181,023	8,074,186
Prior Period Adjustment					<u>(830,735)</u>	<u>-</u>	<u>(830,735)</u>
Net Position, End of Year					<u>\$ 5,082,111</u>	<u>\$ 2,196,256</u>	<u>\$ 7,278,367</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Special Revenue	Capital Projects	Total
<b>ASSETS</b>				
Cash on Hand and in Banks	\$ 667,963	\$ 13,654	\$ 126,129	\$ 807,746
Accrued Interest on Investments	6	1	-	7
Other Accounts Receivable	1,674	-	176,644	178,318
Due from Other Funds	109,938	-	16,844	126,782
Due from Chesterfield/Cheraw Industrial Park	-	-	17,860	17,860
Due from Local Government	62,455	-	-	62,455
Restricted Assets				
Cash in Bank	156,878	-	-	156,878
<b>Total Assets</b>	<b>\$ 998,914</b>	<b>\$ 13,655</b>	<b>\$ 337,477</b>	<b>\$ 1,350,046</b>
<b>LIABILITIES and FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 47,550	\$ -	\$ 1,000	\$ 48,550
Payroll Taxes and Employee Benefits	(2,093)	-	-	(2,093)
Due to Other Funds	-	63,906	-	63,906
Accrued Interest on Bonds Payable	-	-	6,648	6,648
<b>Total Liabilities</b>	<b>45,457</b>	<b>63,906</b>	<b>7,648</b>	<b>117,011</b>
Deferred Inflow of Resources				
Deferred Revenue	207,226	137	-	207,363
Deferred Revenue in Restricted Assets	156,878	-	-	156,878
<b>Total Deferred Inflow of Resources</b>	<b>364,104</b>	<b>137</b>	<b>-</b>	<b>364,241</b>
<b>FUND BALANCE</b>				
Restricted	-	(50,388)	329,829	279,441
Unassigned	589,353	-	-	589,353
<b>Total Fund Balance</b>	<b>589,353</b>	<b>(50,388)</b>	<b>329,829</b>	<b>868,794</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 998,914</b>	<b>\$ 13,655</b>	<b>\$ 337,477</b>	<b>\$ 1,350,046</b>

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, 2015

Total Fund Balance for Governmental Funds		
Total Net Position reported for governmental activities in the statement of net position is different because:		\$ 868,794
Capital assets of \$8,089,207 net of accumulated depreciation of \$2,567,285, are not financial resources and, therefore, are not reported in the funds.		5,521,922
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		76,263
Deferred inflows-pension		(78,995)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bond	\$ (177,717)	
Notes Payable	(7,795)	
Governmental Leases Payable	(237,095)	
Net Pension Liability	(837,223)	
Compensated Absences	(46,043)	(1,305,873)
Total Net Position of Governmental Activities		\$ 5,082,111



TOWN of CHESTERFIELD, SOUTH CAROLINA

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

For the Year Ended June 30, 2015

	General	Special Revenue	Capital Projects	Total
<b>REVENUES</b>				
Taxes	\$ 680,853	\$ -	\$ -	\$ 680,853
Licenses and Permits	379,810	-	-	379,810
Intergovernmental Revenues	52,630	63,535	-	116,165
Charges for Services	362,956	-	-	362,956
Fines and Forfeitures	88,770	-	-	88,770
Miscellaneous	42,854	11,679	111,900	166,433
Interest Income	241	35	9,272	9,548
Total Revenues	<u>1,608,114</u>	<u>75,249</u>	<u>121,172</u>	<u>1,804,535</u>
<b>EXPENDITURES</b>				
Current:				
General Government	217,944	-	16,402	234,346
Public Safety	515,488	-	-	515,488
Highways and Streets	303,087	-	-	303,087
Sanitation	193,692	-	-	193,692
Health and Welfare	124,064	85,990	-	210,054
Capital Outlay	58,930	-	-	58,930
Debt Service				
Principal	49,515	-	9,191	58,706
Interest	1,303	-	8,074	9,377
Total Expenditures	<u>1,464,023</u>	<u>85,990</u>	<u>33,667</u>	<u>1,583,680</u>
<b>EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES</b>	<u>144,091</u>	<u>(10,741)</u>	<u>87,505</u>	<u>220,855</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Proceeds	48,980	-	-	48,980
Total Other Financing Sources (Uses)	<u>48,980</u>	<u>-</u>	<u>-</u>	<u>48,980</u>
<b>EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES</b>	193,071	(10,741)	87,505	269,835
FUND BALANCE, Beginning of Year	396,282	(39,647)	242,324	598,959
FUND BALANCE, End of Year	<u>\$ 589,353</u>	<u>\$ (50,388)</u>	<u>\$ 329,829</u>	<u>\$ 868,794</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, 2015

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: \$ 269,835

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 \$263,728 exceeded net capital outlays of \$6,746 (256,982)

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 \$58,706 less financing proceeds of \$48,980 9,726

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 of \$6,324. 6,324  
Net increase in net pension liability expenses of \$9,220. (9,220)

Changes in Net Position of Governmental Activities \$ 19,683

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION – PROPRIETARY FUND  
June 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$ (34,325)
Water and Sewer Accounts Receivable, Net	90,991
Other Assets	68
Total Current Assets	<u>56,734</u>

NON-CURRENT ASSETS

RESTRICTED ASSETS

Cash-Reserve Bond	87,011
Cash-Customer Deposits	54,942
Total Restricted Assets	<u>141,953</u>

CAPITAL ASSETS

Land	35,973
Improvements	6,866,515
Vehicles	43,545
Water System	2,305,751
Sub-Total	<u>9,251,784</u>
Less Accumulated Depreciation	<u>3,832,347</u>
Total Capital Assets	<u>5,419,437</u>
Total Non-Current Assets	<u>5,561,390</u>
Total Assets	<u>5,618,124</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	23,268
Accrued Interest Payable	7,264
Due to Other Funds	62,876
Notes Payable	82,441
Serial Bonds Payable, Current	79,936
Total Current Liabilities	<u>255,785</u>

NON-CURRENT LIABILITIES

Liabilities Payable from Restricted Assets	
Customers' Deposits	54,942
Notes Payable, Non-Current	418,657
Serial Bonds Payable, Non-Current	2,692,484
Total Non-Current Liabilities	<u>3,166,083</u>
Total Liabilities	<u>3,421,868</u>

NET POSITION

Net Investment in Capital Assets	2,145,919
Restricted for Debt Service	87,011
Unrestricted	(36,674)
Total Net Position	<u>\$ 2,196,256</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION -  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2015

OPERATING REVENUES	
Water Charges	\$ 365,092
Sewer Service Charges	425,900
Tap-On Fees and Reconnect Charges	23,233
Miscellaneous	5,061
Total Operating Revenues	<u>819,286</u>
OPERATING EXPENSES	
Salaries and Benefits	11,515
Supplies	209,200
Utilities and Telephone	49,749
Professional Services	204,533
Miscellaneous	52,828
Depreciation	258,953
Total Operating Expenses	<u>786,778</u>
Operating Income	<u>32,508</u>
NON-OPERATING INCOME (EXPENSE)	
Investment Income	39
Interest Expense	(135,327)
Total Non-operating Income (Expense)	<u>(135,288)</u>
Loss before Contributions	(102,780)
Capital Contributions	118,013
Change in Net Position	<u>15,233</u>
NET POSITION, Beginning of Year	<u>2,181,023</u>
NET POSITION, End of Year	<u><u>\$ 2,196,256</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, 2015

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers and Others	\$ 861,486
Cash Payments to Suppliers for Goods and Services	(610,843)
Cash Payments to Employees for Services	(11,515)
Net Cash Provided by Operating Activities	<u>239,128</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Purchase of Assets	(122,941)
Principal Paid on Revenue Bonds	(58,130)
Principal Paid on Leases Payable	(83,074)
Interest Paid on Bonds	(135,327)
Capital Contributions	118,013
Net Cash Used in Capital and Related Financing Activities	<u>(281,459)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest on Investments	39
Net Cash Provided by Investing Activities	<u>39</u>
Net Decrease in Cash and Cash Equivalents	(42,292)
Cash and Cash Equivalents at Beginning of Year	149,920
Cash and Cash Equivalents at End of Year	<u>\$ 107,628</u>
RECONCILIATION of OPERATING INCOME to NET	
CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Loss	\$ 32,508
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	258,953
Changes in Assets and Liabilities:	
(Increase) Decrease in Current Assets	
Accounts Receivable	42,200
Other Assets	1,322
Increase (Decrease) in Current Liabilities	
Accounts Payable	(115,536)
Due to Other Funds	37,103
Accrued Interest Payable	(20,422)
Customer Deposits	3,000
Net Cash Provided by Operating Activities	<u>\$ 239,128</u>
RECONCILIATION OF CASH FLOWS	
Cash	\$ (34,325)
Cash - Reserve Bond	87,011
Cash - Customer Deposits	54,942
	<u>\$ 107,628</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

Notes to the Financial Statements  
June 30, 2015

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 are 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.

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.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

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 permit 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.
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.



NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

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-K, thus all property taxes receivable are expected to be fully collectible. Allowance for uncollectible accounts receivable in the enterprise fund at year end is \$69,325.

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 are 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, 2015. 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 are 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.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

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 2014 was 129 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.

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 \$46,043 for Town employees. Accumulated unpaid compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

L. 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”.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

M. 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;
- 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.

N. 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.

O. 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.

P. 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 1 SUMMARY of ACCOUNTING POLICIES (Continued)

Q. Recently Issued and Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB Statement 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The Town adopted this Statement during the year ended June 30, 2015. The impact is reflected in the financial statements.

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The adoption of GASB Statement 69 does not have any impact on the Town's financial statements.

R. Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016 and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the Town's financial statements.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the Town's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Town's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the Town's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the Town's financial statement

NOTE 2 CASH AND INVESTMENTS

Deposits are shown at carrying value at June 30, 2015, as follows:

	1	2	3	Bank Balance	Total Carrying Amount
Checking Accounts	\$ 557,443	\$ -	\$ -	\$ 557,443	\$ 536,909
Savings Accounts	401,719	-	-	401,719	401,719
Certificates of Deposit	132,359	-	458	132,817	133,004
	<u>\$ 1,091,521</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 1,091,979</u>	<u>1,071,632</u>
Cash on Hand and Other					620
					<u>\$ 1,072,252</u>

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 \$1,091,521 at June 30, 2015, that was fully insured by depository insurance or secured with collateral held by the Town's agent in its name.

NOTE 2 CASH AND INVESTMENTS (Continued)

A reconciliation of cash and cash equivalents as shown in the combined Statement of Net Position for the primary government follows:

Petty Cash and Other	\$ 620
Carrying Amount of Deposits	<u>1,071,632</u>
Total	<u>\$ 1,072,252</u>
Cash and Cash Equivalents	\$ 773,421
Cash and Cash Equivalents - Restricted	<u>298,831</u>
Total	<u>\$ 1,072,252</u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
GOVERNMENTAL ACTIVITIES:				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 764,629	\$ -	\$ (52,184)	\$ 712,445
Total Capital Assets not Being Depreciated	<u>764,629</u>	<u>-</u>	<u>(52,184)</u>	<u>712,445</u>
Other Capital Assets:				
Land Improvements	29,993	-	-	29,993
Buildings and Improvements	5,453,151	-	-	5,453,151
Equipment	837,737	58,930	-	896,667
Furniture and Fixtures	50,369	-	-	50,369
Automotive Equipment	234,691	-	-	234,691
Streets, Sidewalks, Etc.	711,891	-	-	711,891
Total Other Capital Assets at Historical Cost	<u>7,317,832</u>	<u>58,930</u>	<u>-</u>	<u>7,376,762</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,179,022)	(138,224)	-	(1,317,246)
Equipment	(568,115)	(52,172)	-	(620,287)
Furniture and Fixtures	(34,430)	(2,248)	-	(36,678)
Automotive Equipment	(189,778)	(19,384)	-	(209,162)
Land Improvements	(29,993)	-	-	(29,993)
Streets, Sidewalks, Etc.	(302,219)	(51,700)	-	(353,919)
Total Accumulated Depreciation	<u>(2,303,557)</u>	<u>(263,728)</u>	<u>-</u>	<u>(2,567,285)</u>
Other Capital Assets, Net Governmental Activities	<u>5,014,275</u>	<u>(204,798)</u>	<u>-</u>	<u>4,809,477</u>
Capital Assets, Net	<u>\$ 5,778,904</u>	<u>\$ (204,798)</u>	<u>\$ (52,184)</u>	<u>\$ 5,521,922</u>

NOTE 3 CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets not Being Depreciated:				
Construction in Progress	-	27,522	-	27,522
Land and Improvements	35,973	-	-	35,973
Total Capital Assets not Being Depreciated	35,973	27,522	-	63,495
Other Capital Assets:				
Improvements	6,743,574	95,419	-	6,838,993
Vehicles	43,545	-	-	43,545
Water System	2,305,751	-	-	2,305,751
Total Other Capital Assets at Historical Cost	9,092,870	95,419	-	9,188,289
Less Accumulated Depreciation	(3,573,394)	(258,953)	-	(3,832,347)
Other Capital Assets, Net	5,519,476	(163,534)	-	5,355,942
Business-Type Activities Capital Assets, Net	5,555,449	(136,012)	-	5,419,437

Depreciation expense for the year ended June 30, 2015, was charged to functions as follows:

**GOVERNMENT ACTIVITIES:**

General Government	\$ 127,994
Public Safety	58,087
Highways and Streets	29,276
Sanitation	1,975
Health and Welfare	46,396
Total Governmental Activities Depreciation Expense	<u>\$ 263,728</u>

**BUSINESS-TYPE ACTIVITIES:**

Water and Sewer System	\$ 258,953
Total Business-Type Activities Depreciation Expense	<u>\$ 258,953</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, 2015:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	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%	\$ 353,697	\$ -	\$ 9,939	\$ 343,758	\$ 10,471
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%	84,743	-	35,193	49,550	38,310
2011A Revenue Bond Payable to USDA in monthly payments of \$919 and maturing May 13, 2051, including interest at 4.375%	197,435	-	-	197,435	1,622
2011B Revenue Bond Payable to USDA in monthly payments of \$9,240 and maturing June 13, 2051, including interest at 3.75%	2,194,675	-	12,998	2,181,677	29,533
Sub-Total	<u>2,830,550</u>	<u>-</u>	<u>58,130</u>	<u>2,772,420</u>	<u>79,936</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%	101,529	-	25,395	76,134	22,458
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%	310,655	-	29,403	281,252	30,567
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%	38,432	-	3,638	34,794	3,782
Loan Payable for BB&T Lease in annual payments of \$41,705 maturing December 1, 2018 with an interest rate of 4.04%	133,556	-	24,638	108,918	25,634
Sub-Total	<u>584,172</u>	<u>-</u>	<u>83,074</u>	<u>501,098</u>	<u>82,441</u>
Total Proprietary Fund Long-Term Debt	<u>\$ 3,414,722</u>	<u>\$ -</u>	<u>\$ 141,204</u>	<u>\$ 3,273,518</u>	<u>\$ 162,377</u>

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

The annual requirements to amortize notes payable as of June 30, 2015 are:

	1994 Revenue Bond		2004 Revenue Bond		2011A Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 10,471	\$ 17,800	\$ 38,310	\$ 3,206	\$ 1,622	\$ 9,405
2017	11,036	17,236	11,240	1,635	2,511	8,517
2018	11,629	16,643	-	-	2,623	8,405
2019	12,255	16,017	-	-	2,740	8,288
2020	12,914	15,358	-	-	2,863	8,165
2021-2025	75,763	65,597	-	-	16,348	38,792
2026-2030	98,450	42,911	-	-	20,337	34,803
2031-2035	111,240	13,648	-	-	25,300	29,840
2036-2040	-	-	-	-	31,474	23,666
2041-2045	-	-	-	-	39,155	15,986
2046-2050	-	-	-	-	48,709	6,431
2051	-	-	-	-	3,752	34
Total	<u>\$ 343,758</u>	<u>\$ 205,210</u>	<u>\$ 49,550</u>	<u>\$ 4,841</u>	<u>\$ 197,434</u>	<u>\$ 192,332</u>

	2011B Revenue Bond		Sentry Note Payable		BB&T Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 29,533	\$ 81,347	\$ 22,458	\$ 3,239	\$ 30,567	\$ 11,138
2017	30,660	80,220	23,373	2,324	31,778	9,927
2018	31,830	79,050	24,326	1,371	33,036	8,669
2019	33,044	77,836	5,977	388	34,344	7,361
2020	34,305	76,575	-	-	35,704	6,000
2021-2025	192,182	362,218	-	-	115,823	9,291
2026-2030	231,748	322,652	-	-	-	-
2031-2035	279,460	274,940	-	-	-	-
2036-2040	336,995	217,405	-	-	-	-
2041-2045	406,375	148,025	-	-	-	-
2046-2050	490,038	64,362	-	-	-	-
2051	85,507	1,432	-	-	-	-
Total	<u>\$ 2,181,677</u>	<u>\$ 1,786,062</u>	<u>\$ 76,134</u>	<u>\$ 7,322</u>	<u>\$ 281,252</u>	<u>\$ 52,386</u>

	BB&T Lease Payable		BB&T Lease Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,782	1,378	\$ 25,634	\$ 4,400	\$ 162,377	\$ 131,913
2017	3,931	1,228	26,669	3,365	141,198	124,452
2018	4,087	1,072	27,747	2,287	135,278	117,497
2019	4,249	911	28,868	1,166	121,477	111,967
2020	4,417	742	-	-	90,203	106,840
2021-2025	14,329	1,150	-	-	414,445	477,048
2026-2030	-	-	-	-	350,535	400,366
2031-2035	-	-	-	-	416,000	318,428
2036-2040	-	-	-	-	368,469	241,071
2041-2045	-	-	-	-	445,530	164,011
2046-2050	-	-	-	-	538,747	70,793
2051	-	-	-	-	89,259	1,466
Total	<u>\$ 34,795</u>	<u>\$ 6,481</u>	<u>\$ 108,918</u>	<u>\$ 11,218</u>	<u>\$ 3,273,518</u>	<u>\$ 2,265,852</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, 2015 is as follows:

General Obligation Bond, \$12,449, Annually for 30 years at 4.125% Interest, Matures 8/3/37		\$ 177,717
Note Payable \$5,000 Annually for 5 years at 6.00% Interest, Matures 4/12/16	Mauldin Land	7,795
Lease Obligation Payable, \$10,361 Annually at 1.9% Interest, Matures 3/30/20	Dump Truck	48,980
Lease Obligation Payable, \$31,333 Annually at 3.99% Interest, Matures 7/15/21	Fire Truck	188,115
Total Bonds, Notes and Lease Obligations Payable		422,607
Liability for Compensated Absences		46,043
Total Governmental Fund Long-Term Debt		<u>\$ 468,650</u>

The following is a summary of the governmental fund debt activity for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015	Within One Year
Capital Leases	\$ 237,630	\$ 48,980	\$ 49,515	\$ 237,095	\$ 33,252
General Obligation Bond	182,632	-	4,915	177,717	4,917
Notes Payable	12,071	-	4,276	7,795	7,795
Total Bonds, Notes, and Leases Payable	<u>432,333</u>	<u>48,980</u>	<u>58,706</u>	<u>422,607</u>	<u>\$ 45,964</u>
Compensated Absences	<u>52,367</u>	<u>(6,324)</u>	<u>-</u>	<u>46,043</u>	
Total Governmental Activities Long-Term Debt	<u>\$ 484,700</u>	<u>\$ 42,656</u>	<u>\$ 58,706</u>	<u>\$ 468,650</u>	

The annual debt service requirements to maturity, including principal and interest as of June 30, 2015 are as follows:

	Government Obligation Bond		Notes Payable Mauldin Land	
	Principal	Interest	Principal	Interest
2016	\$ 4,917	\$ 7,730	\$ 7,795	\$ 468
2017	5,123	7,532	-	-
2018	5,339	7,325	-	-
2019	5,563	7,110	-	-
2020	5,797	6,885	-	-
2021-2025	32,850	36,043	-	-
2026-2030	40,362	21,881	-	-
2031-2035	49,591	12,652	-	-
2036-2040	28,175	1,245	-	-
Total	<u>\$ 177,717</u>	<u>\$ 108,403</u>	<u>\$ 7,795</u>	<u>\$ 468</u>

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT (Continued)

	Lease Obligation 2012 Fire Truck		Lease Obligation Dump Truck		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 23,822	\$ 7,511	\$ 9,430	\$ 931	\$ 45,964
2017	24,773	6,560	9,610	751	\$ 39,506	\$ 14,843
2018	25,762	5,571	9,793	569	\$ 40,894	\$ 13,465
2019	26,791	4,542	9,979	384	\$ 42,333	\$ 12,036
2020	27,861	3,472	10,168	193	\$ 43,826	\$ 10,550
2021-2025	59,106	3,562	-	-	\$ 91,956	\$ 39,605
2026-2030	-	-	-	-	\$ 40,362	\$ 21,881
2031-2035	-	-	-	-	\$ 49,591	\$ 12,652
2036-2040	-	-	-	-	\$ 28,175	\$ 1,245
Total	<u>\$ 188,115</u>	<u>\$ 31,218</u>	<u>\$ 48,980</u>	<u>\$ 2,828</u>	<u>\$ 422,607</u>	<u>\$ 142,917</u>

NOTE 6 INTERFUND RECEIVABLES and PAYABLE

The following is a summary of amounts due from and due to other funds:

	Due to Capital Projects	Due to General Fund	Total
Due from Special Revenue	\$ 16,844	\$ 47,062	\$ 63,906
Due from Water & Sewer	-	62,876	62,876
	<u>\$ 16,844</u>	<u>\$ 109,938</u>	<u>\$ 126,782</u>

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, 2015, were as follows:

	General Fund	Proprietary Fund Type
Restricted Assets		
Reserve for Victim Assistance and Fines	\$ 32,032	\$ -
Reserve for Hospitality Tax	25,389	-
Local Option Sale Tax	97,992	-
Bail Bonds Deposited	1,465	-
Customer Deposits	-	54,942
Reserve for Cushion	-	87,011
Total Restricted Assets	<u>\$ 156,878</u>	<u>\$ 141,953</u>
Payable from Restricted Assets	<u>\$ 156,878</u>	<u>\$ 141,953</u>

## NOTE 8 RETIREMENT PLAN

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled Accounting and Financial Reporting for Pension Plans in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System are prescribed in paragraphs 48 through 82 of GASB 68. The following information is provided in order to meet the current disclosure requirements.

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](http://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.

## NOTE 8 RETIREMENT PLAN (Continued)

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.

### 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 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years 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 retirement plan contributions at June 30, 2015: (includes group life insurance)

<u>Retirement System</u>	Covered	Employee	Employer	Total
	<u>Salaries</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
SCRS	\$ 276,088	\$ 22,087	\$ 30,094	\$ 52,181
PORS	\$ 169,413	\$ 14,248	\$ 22,379	\$ 36,627
<u>Contribution Rates</u>				
		<u>Employee</u>	<u>Employer</u>	<u>Total</u>
SCRS		8.00%	10.75%	18.75%
PORS		8.41%	13.01%	21.42%

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

At June 30, 2015, the Town reported a liability of \$837,223 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2013, 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 .003307 % for the SCRS and .01399% for the PORS.

For the year ended June 30, 2015, the Town recognized pension expense of \$62,202. At June 30, 2015, 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	\$ -	\$ 78,995
Liability Experience	23,281	-
City Contributions Subsequent to the Measurement Date	52,982	-
Total	<u>\$ 76,263</u>	<u>\$ 78,995</u>

NOTE 8 RETIREMENT PLAN (Continued)

The \$52,982 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, 2016. 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,

2015	\$ 12,905
2016	12,905
2017	12,905
2018	17,000

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, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, 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	Levels off at 3.5%	Levels off at 4.0%
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.

Long-Term Expected Rate of Return

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

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



7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

NOTE 8 RETIREMENT PLAN (Continued)

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

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
Short Term	5.0%		
Cash	2.0%	0.3%	0.01%
Short Duration	3.0%	0.6%	0.02%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1%	0.08%
High Yield	2.0%	3.5%	0.07%
Bank Loans	4.0%	2.8%	0.11%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8%	0.02%
Emerging Markets Debt	6.0%	4.1%	0.25%
Global Public Equity	31.0%	7.8%	2.42%
Global Tactical Asset Allocation Alternatives	10.0%	5.1%	0.51%
	32.0%		
Hedge Funds (Low Beta)	8.0%	4.0%	0.32%
Private Debt	7.0%	10.2%	0.71%
Private Equity	9.0%	10.2%	0.92%
Real Estate (Broad Market)	5.0%	5.9%	0.29%
Commodities	3.0%	5.1%	0.15%
Total Expected Real Return	100.0%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

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. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

	<b>Discount Rate</b>	<b>Town's Proportionate Share of Net Pension Liability</b>
1% Decrease	6.50%	\$ 1,111,119
Current Discount Rate	7.50%	\$ 837,223
1% Increase	8.50%	\$ 609,447

NOTE 8 RETIREMENT PLAN (Continued)

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](http://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 CHESTERFILED

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 June 30, 2015, 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 June 30, 2015, the valuation date, the Town contributes a flat dollar amount of the premium cost.

*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.

NOTE 10 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

The following table shows the components of the Board's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Board's net OPEB obligation based on an actuarial valuation as of June 30, 2015.

Annual Required Contribution (ARC)	<u>\$ 7,605</u>
Annual OPEB cost	7,605
Contributions Made	
Change in Net OPEB Obligation	<u>(7,605)</u>
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ -</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>
2013	14,101	100%	-
2014	7,605	100%	-
2015	7,605	100%	-

*Funded Status and Funding Progress:* The funding status of the plan as of June 30, 2015, based on an actuarial valuation as of June 30, 2015, was as follows:

Actuarially Accrued Liability (AAL)	\$ 77,936
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 77,936</u></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.

*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.

NOTE 10 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

In the June 30, 2015, 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 PRIOR PERIOD ADJUSTMENTS**

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of the contributions made by the Town during the measurement period (fiscal year ending June 30, 2014).

The change to beginning net position is as follows:

Ending balance per fiscal year 2014 audit	\$8,074,186
Effect of GASB 68 Implementation	<u>(830,735)</u>
Net Position after GASB 68 Entry	<u>\$7,243,451</u>

**NOTE 12 SUBSEQUENT EVENTS**

The Town evaluated all events or transactions that occurred after June 30, 2015, through the date of December 10, 2015 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, 2015, 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, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 633,858	\$ 633,858	\$ 680,853	\$ 46,995
Licenses and Permits	347,053	347,053	379,810	32,757
Intergovernmental Revenues	46,478	46,478	52,630	6,152
Charge for Services	336,088	336,088	362,956	26,868
Fines and Forfeits	94,500	94,500	88,770	(5,730)
Miscellaneous	74,309	74,309	42,854	(31,455)
Interest Income	260	260	241	(19)
Total Revenues	<u>1,532,546</u>	<u>1,532,546</u>	<u>1,608,114</u>	<u>75,568</u>
<b>EXPENDITURES</b>				
General Government	260,265	260,265	217,944	42,321
Public Safety	535,661	535,661	515,488	20,173
Highways and Streets	328,523	328,523	303,087	25,436
Sanitation	212,039	212,039	193,692	18,347
Health and Welfare	135,240	135,240	124,064	11,176
Capital Outlay	-	-	58,930	(58,930)
Debt Service				
Principal	59,515	59,515	49,515	10,000
Interest	1,303	1,303	1,303	-
Total Expenditures	<u>1,532,546</u>	<u>1,532,546</u>	<u>1,464,023</u>	<u>68,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Proceeds	-	-	48,980	48,980
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>48,980</u>	<u>48,980</u>
<b>EXCESS of REVENUES over EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>193,071</u>	<u>\$ 193,071</u>
<b>FUND BALANCE, Beginning of Year</b>			<u>396,282</u>	
<b>FUND BALANCE, End of Year</b>			<u>\$ 589,353</u>	

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  
Year Ended June 30, 2015

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)
June 30, 2011	\$ -0-	\$ 191,095	\$ 191,095	0.0%	\$ -0-
June 30, 2014	-0-	144,505	144,505	0.0%	-0-
June 30, 2015	-0-	77,936	77,936	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  
Year Ended June 30, 2015

Statutorily Required Contributions	\$ 52,473
Contributions in Relation to Statutorily Required Contributions	<u>52,473</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Reporting Unit's Covered-Employee Payroll	<u>\$ 445,501</u>
Contributions as a Percentage of Covered Employee Payroll	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  
Year Ended June 30, 2015

Reporting Unit's Proportion of Police Officers Retirement System Net Pension Liability (%)	0.0429%
Reporting Unit's Proportionate Share of Net Pension Liability	<u>\$ 837,223</u>
Reporting Unit's Covered Employee Payroll	<u>\$ 445,501</u>
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	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, 2015

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<u>Property Tax</u>			
Current Property Tax	\$ 272,000	\$ 290,195	\$ 18,195
Vehicle Taxes	27,500	38,820	11,320
Homestead Exemption	32,200	33,692	1,492
Local Option Sales Tax	140,000	159,378	19,378
Local Accommodation Tax	1,758	947	(811)
Motor Carrier Tax	70,000	71,783	1,783
Manufacturing Tax Exemption	3,400	4,261	861
Local Hospitality Tax	87,000	81,777	(5,223)
Total Property Tax	<u>633,858</u>	<u>680,853</u>	<u>46,995</u>
<u>License and Franchise Fees</u>			
Business License Insurance	182,000	185,440	3,440
Business and Professional Licenses	32,000	30,014	(1,986)
Business License - Telecommunications	11,032	9,524	(1,508)
Business License - Broker Tax	1,677	3,679	2,002
Business License - Contract	3,644	9,156	5,512
Progress Energy Agreement	102,500	109,237	6,737
Lynches River Agreement	4,200	5,000	800
Sandhill Telephone	10,000	27,760	17,760
Total License and Franchise Fees	<u>347,053</u>	<u>379,810</u>	<u>32,757</u>
<u>State Shared Revenue</u>			
Merchant Inventory Tax	8,078	8,078	-
State Shared	33,000	37,865	4,865
Accommodations Tax	5,400	6,687	1,287
Total State Shared Revenue	<u>46,478</u>	<u>52,630</u>	<u>6,152</u>
<u>Fire Protection</u>			
Fire Protection	80,000	82,335	2,335
Total Fire Protection	<u>80,000</u>	<u>82,335</u>	<u>2,335</u>
<u>Garbage Fees</u>			
Garbage Fees	217,228	224,161	6,933
Total Garbage Fees	<u>217,228</u>	<u>224,161</u>	<u>6,933</u>
<u>Rental Fees</u>			
Rent - Guardian Ad Litem	3,300	3,600	300
Rent - Perry Clinic	18,000	18,000	-
Rent - Visitor's Center	7,000	8,420	1,420
Rent - Hut	4,500	5,900	1,400
Rent - Conference Center	6,000	12,040	6,040
Rent - Highways	-	8,000	8,000
Conference Center-Telmon	-	200	200
Community Garden Plots	60	-	(60)
Property Lease	-	300	300
Total Rental Fees	<u>38,860</u>	<u>56,460</u>	<u>17,600</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, 2015

REVENUES (Continued)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Fines</u>			
Fines and Costs	90,500	86,759	(3,741)
Victim's Assistance	4,000	2,011	(1,989)
Drug Buys-Restricted	-	-	-
Total Fines and Costs	<u>94,500</u>	<u>88,770</u>	<u>(5,730)</u>
<u>Miscellaneous</u>			
Fire Department-Donations	5,000	5,000	-
Recycling Fees	1,364	1,813	449
Commerce Park Maintenance	360	330	(30)
Yard Sales	165	105	(60)
Miscellaneous	15,000	21,077	6,077
Phone-Capital Credit-Administration	3,700	4,040	340
Phone-Capital Credit-Police	1,500	1,956	456
Phone-Capital Credit-Fire	220	-	(220)
Donations	-	1,793	1,793
Property Sale Surplus	10,000	3,240	(6,760)
Water and Sewer Fees	37,000	3,500	(33,500)
Total Miscellaneous	<u>74,309</u>	<u>42,854</u>	<u>(31,455)</u>
<u>Interest</u>			
Interest Earned	260	241	(19)
Total Interest	<u>260</u>	<u>241</u>	<u>(19)</u>
TOTAL REVENUES	<u>1,532,546</u>	<u>1,608,114</u>	<u>75,568</u>
<b>EXPENDITURES</b>			
<u>General Government</u>			
Salaries	119,552	107,108	12,444
Social Security	9,146	8,174	972
Group Hospitalization	34,035	25,591	8,444
Retirement	11,032	9,890	1,142
Workman's Compensation	1,000	241	759
Auto Expenses (Mayor)	2,000	1,339	661
Utilities	6,800	5,419	1,381
Telephone	7,200	6,756	444
Insurance and Bonds	3,800	4,883	(1,083)
Office Supplies	2,700	5,835	(3,135)
Office Equipment (Repair and Maintenance)	1,000	1,321	(321)
Building Cleaning	500	216	284
Building Maintenance	7,000	754	6,246
Equipment Replacement	4,000	2,080	1,920
Miscellaneous	-	(175)	175
Training, Travel, Conferences	8,400	7,658	742
Membership Fees	1,300	955	345
Professional Services	40,500	29,755	10,745
Advertisements	300	144	156
Total General Government	<u>260,265</u>	<u>217,944</u>	<u>42,321</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, 2015

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
<u>Public Properties</u>			
Salaries	99,708	98,118	1,590
Social Security	7,628	7,409	219
Group Hospitalization	33,280	29,285	3,995
Retirement	9,797	9,772	25
Workman's Compensation	2,870	1,202	1,668
Truck Expense	11,300	13,478	(2,178)
Utilities	120,840	111,650	9,190
Utilities-Christmas	1,900	-	1,900
Telephone	6,300	6,357	(57)
Insurance and Bonds	10,800	13,320	(2,520)
Supplies	4,000	1,746	2,254
Building Cleaning	3,000	2,854	146
Building Maintenance and Other	8,750	3,525	5,225
Christmas Lights	500	120	380
Equipment Replacement	4,500	2,002	2,498
Uniforms	2,000	1,839	161
Travel, Training, Conferences	250	-	250
Advertisements	100	-	100
Street Sign Replacement	1,000	410	590
Total Streets	<u>328,523</u>	<u>303,087</u>	<u>25,436</u>
<u>Sanitation</u>			
Salaries	9,914	9,733	181
Social Security	760	733	27
Group Hospitalization	4,540	3,540	1,000
Retirement	1,081	1,061	20
Workman's Compensation	800	682	118
Truck Expense	7,133	2,481	4,652
Insurance and Bonds	1,000	1,062	(62)
Supplies	250	52	198
Equipment Replacement	2,000	129	1,871
Uniforms	1,021	963	58
Solid Waste Contract	183,490	173,148	10,342
Advertisements	50	108	(58)
Total Sanitation	<u>212,039</u>	<u>193,692</u>	<u>18,347</u>
<u>Municipal Court</u>			
Salaries	13,236	13,238	(2)
Social Security	1,013	1,020	(7)
Retirement	1,443	1,437	6
Workman's Compensation	166	230	(64)
Jurors	600	-	600
Insurance and Bonds	110	195	(85)
Office Supplies	600	890	(290)
Office Equipment Repairs and Maintenance	-	90	(90)
Travel, Training, Conferences	2,200	-	2,200
Miscellaneous	100	6	94
Membership Fees	100	415	(315)
Professional Services	360	155	205
Total Municipal Court	<u>19,928</u>	<u>17,676</u>	<u>2,252</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, 2015

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Parks and Recreation</u>			
Hospitality Tax	40,210	46,036	(5,826)
YMCA	56,000	56,000	-
Total Parks and Recreation	<u>96,210</u>	<u>102,036</u>	<u>(5,826)</u>
<u>Various</u>			
Election	250	281	(31)
Contributions	-	250	(250)
Economic Development	150	150	-
Library	10,000	-	10,000
Contingent	8,702	3,671	5,031
Total Various	<u>19,102</u>	<u>4,352</u>	<u>14,750</u>
<u>Capital Outlay</u>			
Capital Outlay-Public Properties	-	58,930	(58,930)
Total Capital Outlay	<u>-</u>	<u>58,930</u>	<u>(58,930)</u>
<u>Debt Service</u>			
Principal	59,515	49,515	10,000
Interest	1,303	1,303	-
Total Debt Service	<u>60,818</u>	<u>50,818</u>	<u>10,000</u>
 TOTAL EXPENDITURES	 <u>1,532,546</u>	 <u>1,464,023</u>	 <u>68,523</u>
 OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	48,980	48,980
Total Other Financing Sources (Uses)	<u>-</u>	<u>48,980</u>	<u>48,980</u>
 EXCESS of REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ 193,071</u>	 <u>\$ 193,071</u>

The Accompanying Notes are an Integral Part of These Financial Statements



TOWN of CHESTERFIELD  
STATEMENT of FINES and ASSESSMENTS  
For the Year Ended June 30, 2015

Fines Collected	\$ 39,197
Assessments and Surcharges Collected	47,562
Assessments and Surcharges for Victim's Assistance	<u>2,011</u>
 Total Fines, Assessments and Surcharges	 <u><u>\$ 88,770</u></u>
 Fines and Fees Retained by Town	 \$ 39,197
Assessments and Surcharges Retained by Town For Victim's Services	 <u>2,011</u>
 Total Fines, Assessments and Surcharges Retained by Town	 <u><u>\$ 41,208</u></u>
 Total Assessments and Surcharges Remitted to State Treasurer	 <u><u>\$ 47,562</u></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:

Team Chesterfield - To account for restricted funds related to Team Chesterfield.

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.

SCDOT Paving Proj. - To account for grant for paving.

TOWN of CHESTERFIELD  
Chesterfield, South Carolina

SPECIAL REVENUE FUNDS  
COMBINING STATEMENT of REVENUES and EXPENDITURES  
For the Year Ended June 30, 2015

	Team Chesterfield	Fire 1% Fund	Old Courthouse	Community Development	SCDOT Paving Proj.	Total
<b>REVENUES</b>						
Grant Income	\$ -	\$ 7,548	\$ -	\$ -	\$ 55,987	\$ 63,535
Local Donations	11,679	-	-	-	-	11,679
Interest	-	-	-	35	-	35
Total Revenues	<u>11,679</u>	<u>7,548</u>	<u>-</u>	<u>35</u>	<u>55,987</u>	<u>75,249</u>
<b>EXPENDITURES</b>						
Special Activities	<u>16,871</u>	<u>7,326</u>	<u>5,806</u>	<u>-</u>	<u>55,987</u>	<u>85,990</u>
Total Expenditures	<u>16,871</u>	<u>7,326</u>	<u>5,806</u>	<u>-</u>	<u>55,987</u>	<u>85,990</u>
<b>EXCESS (DEFICIENCY) of REVENUES over (under) EXPENDITURES</b>	(5,192)	222	(5,806)	35	-	(10,741)
<b>BEGINNING FUND BALANCE</b>	<u>5,192</u>	<u>1,333</u>	<u>(58,101)</u>	<u>11,929</u>	<u>-</u>	<u>(39,647)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 1,555</u>	<u>\$ (63,907)</u>	<u>\$ 11,964</u>	<u>\$ -</u>	<u>\$ (50,388)</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, 2015

	Cheraw/ Chesterfield Industrial Park	Economic Development Fund	Total
REVENUE			
Other Income	\$ 31,029	\$ 80,871	\$ 111,900
Interest	-	9,272	9,272
Total Revenue	<u>31,029</u>	<u>90,143</u>	<u>121,172</u>
EXPENDITURES			
General Government	15,867	535	16,402
Debt Service			
Principal	-	9,191	9,191
Interest	-	8,074	8,074
Total Expenditures	<u>15,867</u>	<u>17,800</u>	<u>33,667</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	15,162	72,343	87,505
BEGINNING FUND BALANCE	<u>1,347</u>	<u>240,977</u>	<u>242,324</u>
ENDING FUND BALANCE	<u>\$ 16,509</u>	<u>\$ 313,320</u>	<u>\$ 329,829</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, 2015

Water and Sewer Fund					
	Budget	Water Actual	Sewer Actual	Total Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>					
Water Charges	\$ 350,462	\$ 351,644	\$ -	\$ 351,644	\$ 1,182
DHEC Fees	3,754	3,153	634	3,787	33
Sewer Service	413,976	-	421,102	421,102	7,126
Late Charges	7,116	4,177	4,164	8,341	1,225
Standby Charge Sprinklers	5,277	6,118	-	6,118	841
Tap Fees - Water	1,000	15,860	-	15,860	14,860
Tap Fees - Sewer	-	-	1,000	1,000	1,000
Reconnect Fees	5,400	3,306	3,067	6,373	973
Other Income	200	1,116	2,815	3,931	3,731
Sandhill Cap Credits	-	565	565	1,130	1,130
Total Operating Revenues	787,185	385,939	433,347	819,286	32,101
<b>OPERATING EXPENSES</b>					
<u>Fringe Benefits</u>					
Group Hospitalization	14,369	11,515	-	11,515	2,854
Total Fringe Benefits	14,369	11,515	-	11,515	2,854
<u>Supplies and Line Repairs</u>					
Administration Costs	35,000	-	3,500	3,500	31,500
Maintenance to System	45,000	55,026	41,688	96,714	(51,714)
Supplies - Water	95,000	108,986	-	108,986	(13,986)
Total Supplies and Line Repairs	175,000	164,012	45,188	209,200	(34,200)
<u>Certificate Cost and Membership Fees</u>					
Certificate Cost and Membership Fees	4,044	4,013	-	4,013	31
Total Certificate Cost and Membership Fees	4,044	4,013	-	4,013	31
<u>Utilities</u>					
Electricity - Water and Sewer Distribution	850	904	-	904	(54)
Electricity - Wastewater Treatment	11,100	-	11,197	11,197	(97)
Electricity - Sewer	30,000	-	37,648	37,648	(7,648)
Total Utilities	41,950	904	48,845	49,749	(7,799)
<u>Office Supplies</u>					
Office Supplies	2,500	3,049	-	3,049	(549)
Total Office Supplies	2,500	3,049	-	3,049	(549)
<u>Insurance and Bonds</u>					
Insurance and Bonds	750	896	-	896	(146)
Total Insurance and Bonds	750	896	-	896	(146)
<u>Professional Services</u>					
Professional Services	181,117	(83,828)	288,361	204,533	(23,416)
Total Professional Services	181,117	(83,828)	288,361	204,533	(23,416)
<u>Other Expenses</u>					
Bad Check Fees	250	216	-	216	34
Administration Costs	50,207	33,847	-	33,847	16,360
Travel and Related	400	-	1,746	1,746	(1,346)
Advertising	-	764	-	764	(764)
Telephone	8,801	-	8,297	8,297	504
Total Other Expenses	59,658	34,827	10,043	44,870	14,788

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, 2015

	Water and Sewer Fund				Variance
	Budget	Water Actual	Sewer Actual	Total Actual	Favorable (Unfavorable)
OPERATING EXPENSES (Continued)					
Depreciation					
Depreciation	-	50,909	208,044	258,953	(258,953)
Total Depreciation	-	50,909	208,044	258,953	(258,953)
TOTAL OPERATING EXPENSES	479,388	186,297	600,481	786,778	(307,390)
OPERATING INCOME	307,797	199,642	(167,134)	32,508	(275,289)
NON-OPERATING INCOME (EXPENSE)					
Investment Income	40	39	-	39	(1)
Interest Expense	(307,837)	(33,360)	(101,967)	(135,327)	172,510
Total Non-operating Income (Expense)	(307,797)	(33,321)	(101,967)	(135,288)	172,509
LOSS before CONTRIBUTIONS	-	166,321	(269,101)	(102,780)	(102,780)
Capital Contributions	-	-	118,013	118,013	118,013
CHANGE in NET POSITION	\$ -	\$ 166,321	\$ (151,088)	\$ 15,233	\$ 15,233



# CANTEY, TILLER, PIERCE & GREEN, LLP

*Certified Public Accountants*

1204 BROAD STREET · POST OFFICE BOX 862  
CAMDEN, SOUTH CAROLINA 29021

PIERCE W. CANTEY, JR., CPA  
RICHARD C. TILLER, CPA, PFS  
JANET M. PIERCE, CPA  
HENRY D. GREEN, III, CPA  
MARY ELLEN GREEN, CPA

MEMBER OF AMERICAN INSTITUTE  
AND SOUTH CAROLINA ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS  
TELEPHONE (803)432-1436  
FAX (803) 432-5055

## 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, 2015, 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 10, 2015.

### 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 to be 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 maintain and control 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.

## **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 10, 2015