

CITY OF BENNETTSVILLE, SOUTH CAROLINA

AUDITED BASIC FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEAR ENDED APRIL 30, 2015

WITH

REPORT OF INDEPENDENT AUDITOR

CITY OF BENNETTSVILLE, SOUTH CAROLINA

CITY OF BENNETTSVILLE, SOUTH CAROLINA

AUDITED BASIC FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEAR ENDED APRIL 30, 2015

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CITY OF BENNETTSVILLE, SOUTH CAROLINA

REPORT OF INDEPENDENT AUDITOR

CITY OF BENNETTSVILLE, SOUTH CAROLINA

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REPORT OF INDEPENDENT AUDITOR

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bennettsville, South Carolina (the "City"), as of and for the year ended April 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

Unmodified Opinion

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bennettsville, South Carolina, as of April 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in *Note 16* to the financial statements, the Governmental Fund balance and Governmental Activities net position was restated. My opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

Summarized Comparative Information

The prior year summarized comparative information presented in the individual fund financial statements and schedules has been derived from the City's 2014 audited financial statements, and in my report dated November 7, 2014, I expressed an unqualified opinion on those financial statements.


November 11, 2015
Columbia, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BENNETTSVILLE, SOUTH CAROLINA

City of Bennettsville, South Carolina
Management's Discussion and Analysis
Year Ended April 30, 2015

This section of the City of Bennettsville, South Carolina's (the "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on April 30, 2015. Please read it in conjunction with City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Per the Government-wide *Statement of Net Position*, the City's total assets at year end April 30, 2015 were \$41.7 million and exceeded total liabilities by \$24.7 million. Of the total net position at April 30, 2015, \$3.9 million were unrestricted and available to support short term operations of the City.

Per the Government-wide *Statement of Activities*, the City's total net position increased by \$341,671 for the year ended April 30, 2015. The Governmental Activities resulted in a net decrease of \$267,782, while the Business-type Activities increased net position in the amount of \$609,453, which included a transfer of \$2 million to the Governmental Activities during the year.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements (continued)

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

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

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

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

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

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

Overview of the Financial Statements (continued)

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$24.7 million at the close of April 30, 2015.

Below is a 'condensed' Statement of Net Position at April 30, 2015, which depicts the major components of the City's assets, liabilities and net position (with comparative amounts for April 30, 2014).

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and cash equivalents:						
Unrestricted	\$ 256,530	\$ 657,217	\$ 243,020	\$ 27,525	\$ 499,550	\$ 684,742
Restricted	550,572	279,687	3,414,330	4,390,985	3,964,902	4,670,672
Equity in pooled cash	1,300,554	1,070,504	301,190	—	1,601,744	1,070,504
Investments	—	—	1,690,787	1,691,491	1,690,787	1,691,491
Other current assets	623,636	483,351	2,500,878	2,682,201	3,124,514	3,165,552
Internal balances	2,058,702	2,115,978	(2,058,702)	(2,115,978)	—	—
Capital assets, net of accumulated depreciation	7,215,728	6,919,272	23,576,363	23,362,819	30,792,091	30,282,091
Total assets	\$12,005,722	\$11,526,009	\$29,667,866	\$30,039,043	\$41,673,588	\$41,565,052
Liabilities and Net Position						
Current liabilities	\$ 1,196,663	\$ 429,353	1,576,352	\$ 1,724,560	\$ 2,773,015	\$ 2,153,913
Non-current liabilities	999,281	650,973	13,156,739	13,989,161	14,156,020	14,640,134
Total liabilities	2,195,944	1,080,326	14,733,091	15,713,721	16,929,035	16,794,047
Net investment in capital assets	6,216,447	6,629,994	10,419,624	9,586,397	16,636,071	16,216,391
Restricted	1,387,509	279,687	2,902,078	4,390,985	4,289,587	4,670,672
Unrestricted	2,205,822	3,536,002	1,613,073	347,940	3,818,895	3,883,942
Total net position	\$ 9,809,778	\$ 10,077,560	\$ 14,934,775	\$ 14,325,322	\$ 24,744,553	\$ 24,402,882

Total net position equaled \$24.8 million at April 30, 2015, (and \$24.8 million at April 30, 2014), of which \$9.8 million (and \$10.4 million in 2014) represents net position of the City's Governmental Activities while \$14.9 million (and \$14.3 million in 2014) represents net position of the City's Business-type Activities.

By far the largest portion of the City's net position (\$16.6 million, or 67%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending.

Government-Wide Financial Analysis (continued)

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

Also a portion of the City's total net position, \$4,289,587, or 17.3% represents resources that are subject to external restrictions on how they may be used, which includes resources for the City's housing, community development, capital projects and debt service. The remaining balance of *unrestricted net position* (\$3.8 million, or 15.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Governmental Activities total net position (\$9,809,778) consists of net investment in capital assets (\$6,216,447), restricted (\$1,387,509), and unrestricted (\$2,205,822) at the end of 2015.

The Business-type Activities total net position (\$14,934,775) consists of net investment in capital assets (\$10,419,624), restricted (\$2,902,078), and unrestricted (\$1,613,073) at the end of 2015.

The City's components of changes in net position (condensed from the Statement of Activities) for FY 2015 and FY 2014 are illustrated in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue and transfers						
Program Revenue:						
Charges for services	\$ 1,183,184	\$ 1,208,660	\$17,199,562	\$17,554,060	\$18,382,746	\$18,762,720
Operating grants and contributions	—	—	—	—	—	—
Capital grants and contributions	—	39,542	417,695	158,240	417,695	197,782
General revenue:						
Property taxes and L.O.S.T	1,839,274	1,575,969	—	—	1,839,274	1,575,969
State shared and unallocated intergovernmental	949,664	471,719	—	—	949,664	471,719
Licenses and other	848,112	829,288	—	—	848,112	829,288
Other	(27,034)	397,022	40,919	23,896	13,885	420,918
Transfers	1,700,000	1,700,000	(1,700,000)	(1,700,000)	—	—
Total revenue and transfers	6,493,200	6,222,200	15,958,176	16,036,196	22,451,376	22,258,396
Expenses						
General government	1,366,357	1,138,016	—	—	1,366,357	1,138,016
Public safety	3,299,160	3,398,327	—	—	3,299,160	3,398,327
Public works	1,623,893	1,618,230	—	—	1,623,893	1,618,230
Culture and recreation	454,758	425,654	—	—	454,758	425,654
Interest	16,814	6,300	—	—	16,814	6,300
Combined utility	—	—	15,348,723	16,513,889	15,348,723	16,513,889
Total expenses	6,760,982	6,586,527	15,348,723	16,516,889	22,109,705	23,100,416
Changes in net position	(267,782)	(364,327)	609,453	(477,693)	341,671	(842,020)
Beginning net position, as restated	10,077,560	10,810,010	14,325,322	14,803,015	24,402,882	25,613,025
Ending net position	\$ 9,809,778	\$10,077,560	\$14,934,775	\$14,325,322	\$24,744,553	\$24,402,882

Government-Wide Financial Analysis (continued)

Net position in Governmental Activities had a total decrease in 2015 of \$267,782, compared to a decrease of \$364,327 in 2014. This was primarily due to the City's efforts to manage spending with relatively flat revenue. Net position in Business-type Activities decreased \$477,693 in 2014 and increased \$609,453 in 2015. Both periods included transfers to the Governmental Activities of \$1,700,000 in 2015 and 2014, respectively.

Key Governmental Activities highlights are as follows: Total program revenue decreased by \$65,018 in 2015 primarily due to decrease in charges for services and grants. Total Governmental Activities revenues increase by 4.3% between 2015 and 2014. Total Governmental Activity expenses increased by 2.6% between 2015 and 2014.

Key Business-type Activity highlights are as follows: Total program revenue decreased by \$95,043 (or .5%) between 2015 and 2014 primarily due to seasonal temperature variations between years. The major cost drivers for the electric and gas systems are the costs of electricity and gas purchased for resale to the City's customers. Overall system demand was about the same in 2015. Total Business-type expenses decreased by 7.1% between 2015 and 2014.

Expenses and Program Revenues – Governmental Activities - Governmental expenses (totaling \$6.5 million) are funded in part by program-specific revenues of fees for services, grants and contributions. As shown below, Governmental Activities were overall funded by 17.5% 'program revenues', leaving 82.5% to be funded by 'general revenues'. From the Statement of Activities, the following table details this activity for the City.

	(Expenses)	Program Revenue	Net (Expense)	% Funded by Program Revenues	% Required to be Funded by General Revenues
General government	\$ (1,366,357)	\$ —	\$ (1,366,357)	—	100.0%
Public safety	(3,299,160)	204,985	(3,094,175)	6.2%	93.8%
Public works	(1,623,893)	936,284	(687,609)	57.7%	42.3%
Culture and recreation	(454,758)	41,915	(412,843)	9.2%	90.8%
Interest	(16,814)	—	(16,814)	—	100.0%
Totals	\$ (6,760,982)	\$ 1,183,184	\$ (5,577,798)	17.5%	82.5%

Government-Wide Financial Analysis (continued)

General Revenues by Source – Governmental Activities

As shown in the table on the preceding page, General Revenues funded the City's Governmental Activities by 82.5% in the following categories.

	<u>2015</u>	<u>2014</u>
Property taxes and L.O.S.T	\$ 1,839,274	\$ 1,575,969
Accommodation and hospitality taxes	328,830	312,633
State shared revenue	620,834	471,719
Licenses and other	848,112	829,288
Investment earnings	646	237
Miscellaneous	(27,980)	84,152
Transfer	1,700,000	1,700,000
Total	<u>\$ 5,310,016</u>	<u>\$ 4,973,998</u>

Overall, the City experienced a 6.7% increase in General Revenues in 2015.

Expenses and Program Revenues – Business-type Activities - The City's Combined Utility Enterprise Fund that comprises its Business-type Activities is used for all resources associated with supplying electricity, natural gas, water and providing sewage services to domestic, business and industrial customers within the City limits as well as some of the surrounding unincorporated areas of Marlboro County. Operating revenues totaled \$17.2 million in 2015 (as compared to \$17.6 million in 2014) and includes electric sales of \$10.6 million, natural gas sales of \$2.7 million, water sales of \$1.6 million plus \$1.8 million from sewer services, with the balance consisting of penalties, reconnect fees and other revenues. Operating income at year ended April 30, 2015, totaled \$2,201,335 (as compared to \$1,785,060 in 2014) and includes a significant improvement and stability in electric revenue primarily due to an electric rate design adjustment increasing purchased power cost recovery. The system has seen no significant growth in its customer base or consumption patterns.

General Fund Financial Analysis and Budgetary Highlights

Of the City's Governmental Funds, the City's General Fund is the primary (and major) fund. The General Fund's 'final' budgeted revenues totaled \$4,222,600 actual revenues achieved equaled \$4,565,205 or \$342,605 less than budget. The City had actual General Fund expenditures of \$6,448,633, compared to a 'final' budget of \$6,271,450 for an unfavorable variance of \$177,183 for the fiscal year ended April 30, 2015. This decrease was a result of increased expenditures in the Public Safety department and capital outlay.

General Fund Financial Analysis and Budgetary Highlights (continued)

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

Details of the City's General Fund budget are shown in the section entitled "Required Supplementary Information" which follows the "Notes to Financial Statements" in this report. Below is a 'condensed' summary budget-to-actual table for fiscal year 2015 compared to 2014 actual amounts achieved.

General Fund	2015		Variances Over (Under)	2014
	Final Budget	Actual		Actual
Revenue				
Property taxes	\$ 1,000,000	\$ 1,076,678	\$ 76,678	\$ 937,875
Local option sales tax	716,000	762,596	46,596	638,094
Licenses, permits and franchise fees	838,500	848,112	9,612	829,288
Fines and forfeitures	207,200	204,985	(2,215)	195,627
Intergovernmental	425,000	577,369	152,369	474,391
Service fees	952,000	964,963	12,963	979,554
Interest income and other	83,900	130,502	46,602	80,987
Total revenue	4,222,600	4,565,205	342,605	4,135,816
Expenditures				
Current:				
General government	963,440	991,533	(28,093)	964,662
Public safety	3,059,624	3,164,487	(104,863)	3,108,515
Public works	1,533,074	1,548,585	(15,511)	1,500,613
Culture and recreation	350,256	337,410	12,846	318,449
Capital outlay	57,000	98,562	(41,562)	54,013
Debt service	308,056	308,056	—	119,317
Total expenditures	6,271,450	6,448,633	(177,183)	6,065,569
Excess (deficiency) of revenue over (under) expenditures	(2,048,850)	(1,883,428)	165,422	1,929,753
Other financing sources and (uses)	2,048,850	2,843,850	795,000	1,762,000
Net change in fund balance	\$ —	\$ 960,422	\$ 960,422	\$ (167,753)

General Fund Financial Analysis and Budgetary Highlights (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of April 30, 2015, the City's investment in capital assets for its Governmental Activities totaled \$13.3 million, less accumulated depreciation of \$6.1 million for a net carrying value of \$7.2 million. For its Business-type Activities, total investment in capital assets equaled \$44.2 million, less accumulated depreciation of \$20.6 million for a net carrying value of \$23.6 million. The City's investment in capital assets includes land, buildings, utility system improvements, machinery and equipment, park facilities, vehicles and furniture. The City's significant capital asset acquisition for the Governmental Activities was new public safety vehicles and City sidewalk improvements. The Business-type Activities (Combined Utility Fund), acquired vehicles and equipment during the year and is continuing with its major capital improvement plan for system infrastructure. Additional information on the City's Capital Assets can be found in *Note 6* of this report.

Long-Term Debt – During 2015, the City issued Series 2014 General Obligation Bonds totaling \$855,000. Total general obligation debt totaled \$999,281 at April 30, 2015. The current portion payable within the next year equals \$212,010. At April 30, 2015, the Business-type Activities had long-term debt outstanding \$13.1 million. The current portion payable within the next year equals \$524,248. Additional information on the City's long-term debt can be found in *Note 7* of this report.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

APRIL 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
Unrestricted	\$ 256,530	\$ 243,020	\$ 499,550
Restricted	550,572	3,414,330	3,964,902
Equity in pooled cash	1,300,554	301,190	1,601,744
Investments	—	1,690,787	1,690,787
Receivables, net:			
Accounts and notes	101,364	1,834,718	1,936,082
Due from other governments, net	417,809	—	417,809
Internal balances, net	2,058,702	(2,058,702)	—
Inventories and prepaid items	104,463	666,160	770,623
Capital assets:			
Nondepreciable	342,152	286,257	628,409
Depreciable, net	6,873,576	23,290,106	30,163,682
Total Assets	<u>\$ 12,005,722</u>	<u>\$ 29,667,866</u>	<u>\$ 41,673,588</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 73,453	\$ 664,076	\$ 737,529
Accrued payroll and other payables	183,425	99,347	282,772
Accrued interest payable	—	100,077	100,077
Customer deposits and prepayments	588,384	512,252	1,100,636
Accrued compensated absences	351,401	200,600	552,001
Non-current liabilities:			
Due in less than one year	212,010	524,348	736,358
Due in more than one year	787,271	12,632,391	13,419,662
Total liabilities	<u>2,195,944</u>	<u>14,733,091</u>	<u>16,929,035</u>
Net position:			
Net investment in capital assets	6,216,447	10,419,624	16,636,071
Restricted for:			
Debt and capital projects	—	2,902,078	2,902,078
Housing and community development	974,638	—	974,638
Fire and law enforcement activities	412,871	—	412,871
Unrestricted	2,205,822	1,613,073	3,818,895
Total net position	<u>9,809,778</u>	<u>14,934,775</u>	<u>24,744,553</u>
Total Liabilities and Net Position	<u>\$ 12,005,722</u>	<u>\$ 29,667,866</u>	<u>\$ 41,673,588</u>

See accompanying notes to financial statements.

CITY OF BENNETTSTVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2015

Functions and Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ (1,366,357)	\$ —	\$ —	—	\$ (1,366,357)	\$ —	\$ (1,366,357)
Public safety	(3,299,160)	204,985	—	—	(3,094,175)	—	(3,094,175)
Public works	(1,623,893)	936,284	—	—	(687,609)	—	(687,609)
Culture and recreation	(454,758)	41,915	—	—	(412,843)	—	(412,843)
Interest	(16,814)	—	—	—	(16,814)	—	(16,814)
Total governmental activities	<u>(6,760,982)</u>	<u>1,183,184</u>	<u>—</u>	<u>—</u>	<u>(5,577,798)</u>	<u>—</u>	<u>(5,577,798)</u>
Business-type activities:							
Combined utility	(15,348,723)	17,199,562	—	417,695	—	2,268,534	2,268,534
Total business-type activities	<u>(15,348,723)</u>	<u>17,199,562</u>	<u>—</u>	<u>417,695</u>	<u>—</u>	<u>2,268,534</u>	<u>2,268,534</u>
Total functions and programs	<u>\$ (22,109,705)</u>	<u>\$ 18,382,746</u>	<u>\$ —</u>	<u>\$ 417,695</u>	<u>(5,577,798)</u>	<u>2,268,534</u>	<u>(3,309,264)</u>
General Revenue and Transfers							
General Revenue:							
Property taxes and L.O.S.T.					1,839,274	—	1,839,274
Accommodation and hospitality taxes					328,830	—	328,830
State shared and intergovernmental (unrestricted)					620,834	—	620,834
Business licenses and other franchise fee/tax					848,112	—	848,112
Unrestricted investments earnings					646	40,919	41,565
Miscellaneous					(27,680)	—	(27,680)
Transfers in (out)					1,700,000	(1,700,000)	—
					<u>5,310,016</u>	<u>(1,659,081)</u>	<u>3,650,935</u>
Changes in net position					<u>(267,782)</u>	<u>609,453</u>	<u>341,671</u>
Net Position – beginning of year (as restated, See Note 16)					<u>10,077,560</u>	<u>14,325,322</u>	<u>24,402,882</u>
Net Position – end of year					<u>\$ 9,809,778</u>	<u>\$ 14,934,775</u>	<u>\$ 24,744,553</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

APRIL 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents:			
Unrestricted	\$ 71,062	\$ 185,468	\$ 256,530
Restricted	55,225	495,347	550,572
Equity in pooled cash	1,300,554	—	1,300,554
Receivables:			
Property taxes	185,908	—	185,908
Other	155,490	1,090,879	1,246,369
Less, allowances for doubtful accounts	(313,032)	(210,879)	(523,911)
Due from other governments	417,809	—	417,809
Due from other funds	2,693,669	—	2,693,669
Inventory and prepaid items	104,463	—	104,463
Total assets	<u>\$ 4,671,148</u>	<u>\$ 1,560,815</u>	<u>\$ 6,231,963</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 73,453	\$ —	\$ 73,453
Accrued payroll and other payables	183,425	—	183,425
Due to other funds	27,821	607,146	634,967
Deferred revenue	176,187	—	176,187
Deposits	412,197	—	412,197
Total liabilities	<u>873,083</u>	<u>607,146</u>	<u>1,480,229</u>
Fund balances:			
Non-spendable	104,463	—	104,463
Restricted	381,267	1,006,242	1,387,509
Committed	—	—	—
Assigned	25,000	369,105	394,105
Unassigned (deficit)	3,287,335	(421,678)	2,865,657
Total fund balances	<u>3,798,065</u>	<u>953,669</u>	<u>4,751,734</u>
Total liabilities and fund balances	<u>\$ 4,671,148</u>	<u>\$ 1,560,815</u>	

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

Capital assets, net of accumulation depreciation, used in governmental activities are not financial resources and therefore, are not reported in these funds. 7,215,728

Certain receivables are not financial resources and therefore, are not reported in these funds. (807,002)

Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in these funds. (1,350,682)

Net position, end of year – Governmental Activities \$ 9,809,778

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-

GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes, penalties and fees	\$ 1,076,678	\$ —	\$ 1,076,678
Local options sales tax	762,596	—	762,596
Licenses, permits and franchise fees	848,112	—	848,112
Fines and forfeitures	204,985	—	204,985
Intergovernmental:			
Grants	96,459	7,250	103,709
Rural fire protection	—	36,215	36,215
Other intergovernmental	480,910	328,830	809,740
User fees	28,679	—	28,679
Solid waste collection fees	936,284	—	936,284
Rental fees	13,236	—	13,236
Interest income	26	620	646
Other	117,240	1,327	118,567
Total revenue	<u>4,565,205</u>	<u>374,242</u>	<u>4,939,447</u>
Expenditures			
Current:			
General government	991,533	27,720	1,019,253
Public safety	3,164,487	—	3,164,487
Public works	1,548,585	—	1,548,585
Culture and recreation	337,410	97,980	435,390
Capital outlay	98,562	784,639	883,201
Debt service	308,056	—	308,056
Total expenditures	<u>6,448,633</u>	<u>910,339</u>	<u>7,358,972</u>
Excess (deficiency) of revenue over expenditures	(1,883,428)	(536,097)	(2,419,525)
Other Financing Sources (Uses)			
Transfers in	1,988,850	40,000	2,028,850
Transfers (out)	—	(328,850)	(328,850)
Bonds proceeds	855,000	—	855,000
Total other financing sources (uses)	<u>2,843,850</u>	<u>(288,850)</u>	<u>2,555,000</u>
Net change in fund balances	960,422	(824,947)	135,475
Fund balances, beginning of year	3,205,766	1,778,616	4,984,382
Cumulative effect of restatement (<i>Note 16</i>)	(368,123)	—	(368,123)
Fund balances, end of year	<u>\$ 3,798,065</u>	<u>\$ 953,669</u>	<u>\$ 4,751,734</u>

— CONTINUED —

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

— CONTINUED —

Reconciliation to amounts reported for governmental activities in the Statement of Activities (See Note 13):	
Net change in fund balances – total governmental funds	\$ 135,475
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	296,456
Certain revenues and expenses are not reported as source and uses of current financial resources. This is the amount of such accruals.	10,320
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(710,033)</u>
Change in Net Position – Governmental Activities	<u>\$ (267,782)</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

BALANCE SHEET

PROPRIETARY FUND

APRIL 30, 2015

	<u>Business-type Activities – Enterprise Fund Combined Utility</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 243,020
Equity in pooled cash	301,190
Investments	1,690,787
Accounts receivable, net	1,834,718
Inventories and prepaid items	666,160
	<u>4,735,875</u>
Current restricted assets:	
Restricted cash and cash equivalents	3,414,330
Total current assets	<u>8,150,205</u>
Non-current assets:	
Capital assets, not subject to depreciation	286,257
Capital assets subject to depreciation	23,290,106
Total non-current assets	<u>23,576,363</u>
Total assets	<u>\$ 31,726,568</u>
Liabilities and Net position	
Current liabilities:	
Accounts payable	\$ 664,076
Accrued payroll and withholdings payable	99,347
Accrued interest payable	100,077
Due to General Fund	2,058,702
Customer deposits and prepayments	512,252
Bonds payable – current portion	375,426
Installment purchase contract – current portion	148,922
Total current liabilities	<u>3,958,802</u>
Long-term (non-current) liabilities:	
Accrued compensated absences	200,600
Installment purchase contract	77,436
Revenue bonds payable	12,554,955
Total long-term liabilities	<u>12,832,991</u>
Total liabilities	<u>16,791,793</u>
Net position:	
Net investment in capital assets	10,419,624
Restricted for debt and capital projects	2,902,078
Unrestricted	1,613,073
Total net position	<u>14,934,775</u>
Total liabilities and net position	<u>\$ 31,726,568</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED APRIL 30, 2015

	Business-type Activities – Enterprise Fund Combined Utility
Operating Revenue (pledged as security for revenue bonds)	
Sales and services:	
Water	\$ 1,642,946
Sewer	1,843,351
Electric	10,586,486
Gas	2,732,898
Penalties, reconnect fees and other revenue	393,881
Total operating revenue	17,199,562
Operating Expenses	
Water plant	842,607
Water distribution	342,995
Wastewater plant and collection	464,024
Sewer/Stormwater collection	172,651
Electricity purchase and transmission	8,503,743
Gas purchase and distribution	2,081,578
Administration and billing	603,893
Billing office	541,398
Non-departmental	124,122
Depreciation expense	1,321,216
Total operating expenses	14,998,227
Operating income	2,201,335
Non-Operating Revenue (Expenses)	
Interest income	40,919
Interest expense	(350,496)
Bond issuance cost	—
Total non-operating revenue (expenses)	(309,577)
Income before contributions and transfers	1,891,758
Capital contributions	
Capital grants	417,695
Contributed capital	—
Total capital contributions	417,695
Transfers	
Transfers (out) to General Fund	(1,700,000)
Change in net position	609,453
Net position, beginning of year	14,325,322
Net position, end of year	\$ 14,934,775

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED APRIL 30, 2015

	<u>Business-type Activities– Enterprise Fund Combined Utility</u>
Cash Flows from Operating Activities	
Cash received from:	
Combined utility sales and services, penalties, reconnect fees and other revenue	\$ 17,356,869
Cash paid to (for):	
Employee salaries and related costs, and combined utility operations	(13,974,001)
Net cash provided by (used in) operating activities	<u>3,382,868</u>
Cash Flows from Non-capital Financing Activities	
Transfer to General Fund	(1,700,000)
Net cash provided by (used in) non-capital financing activities	<u>(1,700,000)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,534,761)
Capital grants	417,695
Interest paid on capital related debt	(446,305)
Principal payments under bonds and capital leases	(615,825)
Net cash provided by (used in) capital and related financing activities	<u>(2,179,196)</u>
Cash Flows from Investing Activities	
Interest received	37,062
Sales of investments	652,299
Purchases of investments	(653,003)
Net cash provided by (used in) investing activities	<u>36,358</u>
Net increase (decrease) in cash and cash equivalents	(459,970)
Cash and cash equivalents, beginning of year (of which \$4,390,985 is restricted)	4,418,510
Cash and cash equivalents, end of year (of which \$3,414,330 is restricted)	<u>\$ 3,958,540</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 2,201,335
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	1,321,216
Changes in certain assets and liabilities:	
(Increase) decrease in accounts receivable	157,307
(Increase) decrease in inventory	24,015
Increase (decrease) in accounts payable/accrued expenses	(309,116)
Increase (decrease) in accrued compensated absences	(12,139)
Increase (decrease) in customer deposits	57,526
Increase (decrease) in internal balances due to other funds	(57,276)
Net cash provided by (used in) operating activities	<u>\$ 3,382,868</u>

See accompanying notes to financial statements.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation – Basis of Accounting

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

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

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

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

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Funds

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

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

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

Proprietary Funds

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

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

C. Measurement Focus, Basis of Accounting

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

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

D. Budgets and Budgetary Accounting

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

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

The General Fund operated under a final budget totaling \$6,271,450. Actual expenditures totaled \$6,448,633. The Combined Utility Fund operated under a budget totaling \$17,143,800. Actual operating expenses totaled \$14,998,227 (including a non-budgetary charge of \$1,321,216 for depreciation), non-operating expenses totaled \$309,577 and transfers out totaled \$1.7 million.

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

Cash and Cash Equivalents and Investments

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

Short-Term Interfund Receivables/Payables

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventory

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

Deferred Charges (Other Assets)

Bond issuance costs, as well as bond premiums and discounts, are expensed during the period pursuant to GASB Statement 65.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

Restricted Assets

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

Capital Assets and Depreciation

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

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

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

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

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

Long-term Obligations

In the Government-wide financial statements, and the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-type Activities, or Proprietary Fund type Statement of Net Position. Long-term debt represents unmatured principal of general obligation and revenue bond indebtedness, and outstanding portions due on long-term contracts. Other long-term obligations represent outstanding net present value portions due on capital lease obligations, and long-term portions of claims or judgments. Liabilities arising from interfund activities do not constitute general long-term liabilities.

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences (Accrued Vacation and Sick Leave)

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

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

Net Position and Fund Balances

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

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

Property Taxes

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

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes (continued)

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

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

Program and General Revenue

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

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

Comparative Data and Reclassifications

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

Use of Estimates

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments

As of April 30, 2015, the City had the following cash and investment balances:

Cash on hand	\$ 4,150
Carrying amount of deposits	<u>6,062,046</u>
Totals	<u><u>\$ 6,066,196</u></u>
Statement of Net Position balances:	
Cash and cash equivalents:	
Unrestricted	\$ 499,550
Restricted	3,964,902
Equity in pooled cash	<u>1,601,744</u>
Totals	<u><u>\$ 6,066,196</u></u>

Deposits

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

Custodial credit risk for deposits is the risk that in the event of a depository institution's failure, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposits in banks or the State Treasurer Investment Pool and non-negotiable certificates of deposits. At April 30, 2015, the carrying amounts of the City's deposits were covered by federal depository insurance with the remaining balance collateralized by securities held by the financial institution in the City's name.

Investments

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments (Continued)

Investments (continued)

Types of investments at April 30, 2015 were certificates of deposit of various financial institutions, securities of the U.S. Treasury or agencies, mutual funds of governmental agency securities, and corporate bonds and notes as follows:

	<u>Fair Value</u>	<u>Maturity</u>
Certificate of deposit – 1.00%	\$ 143,391	3/27/2017
Certificate of deposit – 1.75%	145,075	3/27/2021
Federal government agencies’ securities	<u>1,402,321</u>	Varies
Total fair value	<u>\$ 1,690,787</u>	

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of April, 30, 2015, none of the City’s investments were exposed to custodial credit risk.

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

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. All of the City’s investments were held and managed by two financial institutions as of April 30, 2015.

3. Restricted Assets

Restricted cash and cash equivalents reported in the Business-type Activities totaled \$3,414,330 at April 30, 2015. This amount was for projects authorized by the Combined Utility System Bonds, Series 2014, plus the Series 2009 A and B Debt Service Reserve Funds, and for obligations under installment note contracts or capital leases. Restricted cash and cash equivalents for the Governmental Activities totaled \$550,572 at April 30, 2015. This amount was restricted to the purchase of specific items of equipment as required under the terms of an installment note contract obligation, housing, and law enforcement activities.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. Receivables

Accounts receivable at April 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 185,908	\$ —
Lot clearing fees	155,490	—
Combined utility accounts	—	3,154,173
Miscellaneous	(2)	1,335
Total receivables	341,396	3,155,508
Less, allowance for uncollectible accounts	(313,032)	(1,320,790)
Receivables, net	<u>\$ 28,364</u>	<u>\$ 1,834,718</u>

Notes receivable at April 30, 2015, including the applicable allowances for uncollectible accounts and imputed interest are as follows:

	Governmental Activities
Upper Story Housing (<i>See Note 14</i>)	\$ 880,000
Housing rehabilitation	111,836
Housing assistance	84,054
CDBG Repayment Fund	14,989
Total notes receivable	1,090,879
Less, allowance for uncollectible accounts and imputed interest	(1,017,879)
Notes receivable, net	<u>\$ 73,000</u>

5. Due to/from Other Funds – Internal Balances

Short-term interfund receivables and payables at April 30, 2015, were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,695,702	\$ (29,854)
Capital Project Fund	—	(607,146)
Utility Fund	841,115	(2,899,817)
Total interfund balances	3,536,817	(3,536,817)
Less, eliminations	(1,478,115)	1,478,115
Internal balances, net	<u>\$ 2,058,702</u>	<u>\$ (2,058,702)</u>

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Transfers to/from Other Funds

Transfers in (out) for the year ended April 30, 2015 are summarized below:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 1,988,850	\$ —
Special Revenue Funds	—	(328,850)
Capital Project Fund	40,000	—
Utility Fund	90,000	(1,790,000)
	<u>\$ 2,118,850</u>	<u>\$ (2,118,850)</u>

Transfers between the major funds, other non-major governmental funds and enterprise funds were primarily to support the operations of the funds.

6. Capital Assets

A summary of the changes in the City's capital assets during the year ended April 30, 2015, are as follows:

Governmental Activities:

	<u>Balance April 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance April 30, 2015</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 326,402	\$ —	\$ —	\$ 326,402
Construction in process	—	15,750	—	15,750
Total capital assets not being depreciated	<u>326,402</u>	<u>15,750</u>	<u>—</u>	<u>342,152</u>
Capital assets being depreciated:				
Buildings and improvements	7,462,519	49,140	—	7,511,659
Furniture, vehicles, equipment	4,564,615	962,216	(69,000)	5,457,831
Totals capital assets being depreciated	<u>12,027,134</u>	<u>1,011,356</u>	<u>(69,000)</u>	<u>12,969,490</u>
Less, accumulated depreciation for:				
Buildings and improvements	(2,223,261)	(261,316)	—	(2,484,577)
Furniture, vehicles, equipment	(3,211,003)	(469,334)	69,000	(3,611,337)
Total accumulated depreciation	<u>(5,434,264)</u>	<u>(730,650)</u>	<u>69,000</u>	<u>(6,095,914)</u>
Total capital assets being depreciated, net	<u>6,592,870</u>	<u>280,706</u>	<u>—</u>	<u>6,873,576</u>
Net capital assets – Governmental Activities	<u>\$ 6,919,272</u>	<u>\$ 296,456</u>	<u>\$ —</u>	<u>\$ 7,215,728</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Capital Assets (Continued)

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

General government	\$ 413,548
Public safety	219,926
Public works	77,449
Culture and recreation	19,727
Total depreciation expense	<u>\$ 730,650</u>

Business-Type Activities:

	<u>Balance</u> <u>April 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>April 30, 2015</u>
Capital assets not being depreciated:					
Land	\$ 145,300	\$ —	\$ —	\$ —	\$ 145,300
Construction in progress	419,366	140,956	—	(419,365)	140,957
Total capital assets not being depreciated	<u>564,666</u>	<u>140,956</u>	<u>—</u>	<u>(419,365)</u>	<u>286,257</u>
Capital assets being depreciated:					
Buildings	626,283	—	—	—	626,283
Improvement other than buildings	38,193,596	1,371,575	—	419,365	39,984,536
Equipment and vehicles	3,345,836	22,229	—	—	3,368,065
Total capital assets being depreciated	<u>42,165,715</u>	<u>1,393,804</u>	<u>—</u>	<u>419,365</u>	<u>43,978,884</u>
Less, accumulated depreciation for:					
Buildings	(565,150)	(22,286)	—	—	(587,436)
Improvement other than buildings	(16,305,494)	(995,184)	—	—	(17,300,678)
Equipment and vehicles	(2,496,918)	(303,746)	—	—	(2,800,664)
Total accumulated depreciation	<u>(19,367,562)</u>	<u>(1,321,216)</u>	<u>—</u>	<u>—</u>	<u>(20,688,788)</u>
Total capital assets being depreciated, net	<u>22,798,153</u>	<u>72,588</u>	<u>—</u>	<u>419,365</u>	<u>23,290,106</u>
Net capital assets – Business-type activities	<u>\$ 23,362,819</u>	<u>\$ 213,544</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 23,576,363</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt

Installment Note

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

General Obligation Bonds

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

Revenue Bonds

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

Long-term debt of the City at April 30, 2015 consists of the following:

A. Governmental Activities

Series 2014 General Obligation Bond, dated 8/29/14, due in semi-annual installments through August 2023, interest at 2.188%.	\$ 825,000
Installment note contract with PNC Bank for various vehicles and equipment, due in quarterly installments through October 1, 2016, interest at 1.74%. (Less, Business-type Activities portion of the total note obligation 44%)	400,639 <u>(226,358)</u>
Installment note payable – Governmental Activities portion	<u>174,281</u>
Total long-term debt	999,281
Less, current portions (due within one year)	<u>(212,010)</u>
Net long-term debt – Governmental Activities	<u>\$ 787,271</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

B. Business-Type Activities

Series 2009A South Carolina Water Pollution Control Revolving Fund Loan, dated 8/31/09, due in quarterly installments of \$19,939 through October 1, 2030; interest at 1.85%.	\$ 1,065,467
Series 2009B South Carolina Drinking Water Revolving Fund Loan, dated 8/31/09, due in quarterly installments of \$25,366 through September 1, 2040; interest at 1.88%.	2,041,614
Series 2013 Combined Utility System Refunding and Improvement Revenue Bonds, dated 12/19/13, payable semi-annually with interest (3.0% - 4.25% per annum); final payment due February 2024.	9,750,000
Installment note contract with PNC Bank for various vehicles and equipment, due in quarterly installments through October 1, 2016, interest at 1.74%. (Less, Governmental Activities portion of note obligation 56%:)	400,639 <u>(174,281)</u>
Installment note payable – Business-type activities portion	<u>226,358</u>
Total long-term debt	13,083,439
Less, current portions (due within one year):	(524,348)
Add, Series 2013 bond premium (net of amortization of \$3,858)	<u>73,300</u>
Net long-term debt – Business-type Activities	<u><u>\$ 12,632,391</u></u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

C. Changes in Long-Term Debt

Changes in the long-term debt of the City during the year ended April 30, 2015, were as follows:

	Outstanding 4/30/14	Additions	Retirements	Outstanding 4/30/15
Governmental Activities:				
Series 2014 G.O. Bond	\$ —	\$ 855,000	\$ (30,000)	\$ 825,000
Installment note contract	\$ 289,278	\$ —	\$ (114,967)	\$ 174,281
Business-type Activities:				
Revenue Bond, Series 2004	\$ 95,000	\$ —	\$ (95,000)	\$ —
Series 2009A SRF Loan	\$ 1,126,050	\$ —	\$ (60,583)	\$ 1,065,467
Series 2009B SRF Loan	\$ 2,105,497	\$ —	\$ (63,833)	\$ 2,041,614
Series 2013 Refunding Revenue Bond	\$ 10,000,000	\$ —	\$ (250,000)	\$ 9,750,000
Installment note contract	\$ 372,717	\$ —	\$ (146,359)	\$ 226,358

The City issued Series 2013 Refunding and Improvement Revenue Bonds to current refund the majority of the Series 2004 Revenue Bonds. The refunding resulted in a cash flow savings of \$260,753 from prior debt service to new debt service requirements, and an economic (present value) gain of \$173,538, less amounts needed to fully retire the Series 2004 bonds totaling \$96,663.

D. Accrued Compensated Absences

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

	Balances 4/30/14	Additions	Deletions	Balances 4/30/15
Governmental Activities:	\$ 361,695	\$ —	\$ (10,294)	\$ 351,401
Business-type Activities	212,739	—	(12,134)	200,600
	\$ 574,434	\$ —	\$ 22,433	\$ 552,001

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

CITY OF BENNETTSTVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

E. Annual Requirements for Long-Term Debt

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

	Installment Note		G.O. Bond		Revenue Bonds		2009 A SRF Loans		2009 B SRF Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 265,932	\$ 5,243	\$ 95,000	\$ 18,050	\$ 355,000	\$ 371,988	\$ 61,543	\$ 19,041	\$ 64,780	\$ 36,683
2017	134,707	879	98,000	15,972	370,000	357,788	62,537	18,047	65,709	35,754
2018	—	—	100,000	13,828	385,000	342,988	63,567	17,017	66,671	34,792
2019	—	—	102,000	11,640	395,000	331,438	64,633	15,951	67,668	33,795
2020	—	—	104,000	9,408	410,000	319,588	65,646	14,938	68,699	32,764
2021-2025	—	—	326,000	14,374	2,250,000	1,388,388	346,657	56,263	360,241	147,074
2026-2030	—	—	—	—	2,705,000	927,938	380,749	22,170	392,156	115,159
2031-2035	—	—	—	—	2,880,000	309,297	20,135	101	430,650	76,664
2036-2040	—	—	—	—	—	—	—	—	475,229	32,085
2041	—	—	—	—	—	—	—	—	49,811	406
	\$ 400,639	\$ 6,122	\$ 825,000	\$ 83,272	\$ 9,750,000	\$ 4,349,413	\$ 1,065,467	\$ 163,528	\$ 2,041,614	\$ 545,176

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Net Position and Fund Balances

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Net Investment in Capital Assets:</u>		
Net capital assets	\$ 7,215,728	\$ 23,576,363
Less, long-term debt payable	(999,281)	(13,156,739)
Total net investment in capital assets	<u>\$ 6,216,447</u>	<u>\$ 10,419,624</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Restricted for:</u>		
Debt services	\$ —	\$ —
Capital projects	—	—
Housing and community development	974,638	—
Fire prevention and education	31,605	—
Law enforcement and public safety	381,278	—
Total restricted	<u>\$ 1,387,521</u>	<u>\$ —</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Net Position and Fund Balances (continued)

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Non-spendable:</u>			
Inventory and prepaid items	\$ 104,463	\$ —	\$ 104,463
<u>Restricted for:</u>			
Housing assistance	—	974,638	974,638
Fire prevention and education	—	412,871	412,871
Municipal court and public safety	381,267	—	381,267
	<u>381,267</u>	<u>1,006,242</u>	<u>1,387,509</u>
<u>Assigned to:</u>			
Tourism and hospitality	—	369,105	369,105
Underground storage tanks (UST)	25,000	—	25,000
	<u>25,000</u>	<u>369,105</u>	<u>394,105</u>
<u>Unassigned (deficit)</u>	<u>3,287,335</u>	<u>(421,678)</u>	<u>2,865,657</u>
Totals	<u>\$ 3,798,065</u>	<u>\$ 953,669</u>	<u>\$ 4,751,734</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Retirement Plan

Generally, all permanent employees of the City are required by law to join the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS) which are cost-sharing multiple-employer defined benefit pension plans administered by the South Carolina Retirement System, a Division of the State Budget and Control Board. Article X, Section 16, of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the SCRS and the PORS are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

The majority of employees of the City are covered by a retirement plan through the SCRS, a cost sharing multiple-employer plan administered by the Retirement Division, a public employee retirement system. Generally all City employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided by Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Employees participating in SCRS are required to contribute 7.5% of all compensation. The City's actual contributions to the SCRS for the three most recent fiscal years ended April 30, 2015, 2014, and 2013, were \$326,149, \$304,811, and \$293,335, respectively, and equaled the required contribution for each year. Under this system, the City's contributions were 10.45% each covered employee's compensation from May 1, 2014 to June 30 2015. Also, the City paid employer group-life insurance contributions of \$4,575 in the current fiscal year at the rate of .15% of compensation.

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

Employees participating in PORS are required to contribute 7.84% of all compensation. The City's actual contributions to the PORS for the three most recent fiscal years ended April 30, 2015, 2014, and 2013, were \$231,801, \$211,935, and \$206,373, respectively, and equaled the required contribution for each year. Under the PORS system, the City's contributions were 12.44% for each covered employee's compensation for May 1, 2014 to June 30, 2015.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Retirement Plan (Continued)

Also, the City paid employer group-life insurance contributions and accidental death insurance contributions totaling \$3,593 in the current fiscal year for PORS participants at the rate of .20% and .20%, respectively, of compensation.

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. Neither the City, nor the State of South Carolina, has any liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate City employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

10. Due From Other Governments

The following are due from (to) other governments:

	Governmental Activities
Due from state government	\$ 404,638
Other	13,171
Total due from other governments	<u>\$ 417,809</u>

11. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the South Carolina State Insurance Reserve Fund. Through the Fund, the City maintains property insurance at replacement value and contents coverage at actual value. The City also maintains tort and fleet auto coverage through the Fund. The City has also transferred a portion of its risk of loss for health insurance and workers compensation claims to various state agencies and commercial insurance carriers. For the year ended April 30, 2015, the City incurred \$848,496 in health care premiums and \$335,680 in worker's compensation premiums.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

12. Contingencies and Commitments

Litigation

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

Federal and State Assisted Programs

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

Facilities Abandonment Charge

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

13. Reconciliation of Government-wide and Fund Financial Statements

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

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

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

Capital assets	\$ 13,311,642
Less, accumulated depreciation	<u>(6,095,914)</u>
Net amount reported	<u>\$ 7,215,728</u>

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

Mortgages receivable, net of imputed interest	\$ (807,002)
Net amount reported	<u>\$ (807,002)</u>

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

Bond and installment purchase contracts	\$ (999,281)
Accrued compensated absences	<u>(351,401)</u>
Net amount reported	<u>\$ (1,350,682)</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

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

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

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

Capital outlay expenditures	\$ 1,027,106
Less, depreciation expense	(730,650)
Net amount reported	<u>\$ 296,456</u>

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

Change in accrued compensated absences	\$ 10,294
Other	26
Net amount reported	<u>\$ 10,320</u>

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

Bonds proceeds	\$ (855,000)
Principal repayments – bonds and installment note obligations	144,967
Net amount reported	<u>\$ (710,033)</u>

CITY OF BENNETTSVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

14. Notes Receivable - Upper Story Housing

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

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

Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$17,500 beginning December 31, 2037. Collateralized by first lien security interest on various Main Street and Broad Street properties.	\$ 350,000
Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$40,000 beginning December 31, 2034. Collateralized by third lien security interest on various Main Street and Broad Street properties.	200,000
Non-interest bearing mortgage loan note dated February 15, 2002, due in 20 annual installments of \$16,500 beginning December 31, 2037, with all remaining unpaid balances due and payable December 31, 2056. Collateralized by a fourth lien security interest on various Main Street and Broad Street properties.	330,000
	<u>\$ 380,000</u>

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

15. Subsequent Events

Management has evaluated subsequent events through November 11, 2015.

16. Restatement

Beginning Governmental Fund balance and Governmental Activities net position was restated by \$368,123 to correctly report court-related balances held for others at April 30, 2014.

CITY OF BENNETTSVILLE, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED APRIL 30, 2015

	Budget		Actual	Variance Over (Under)
	Original	Final		
Revenue				
Taxes, penalties and fees	\$ 1,000,000	\$ 1,000,000	\$ 1,076,678	\$ 76,678
Local option sales tax	716,000	716,000	762,596	46,596
Licenses, permits and franchise fees	838,500	838,500	848,112	9,612
Fines and forfeitures	207,200	207,200	204,985	(2,215)
Intergovernmental	425,000	425,000	577,369	152,369
User fees – community center	—	—	28,679	28,679
Solid waste collection fees	952,000	952,000	936,284	(15,716)
Rental fees	—	—	13,236	13,236
Interest income	400	400	26	(374)
Sale of capital assets	—	—	7,027	7,027
Other	83,500	83,500	110,213	26,713
Total revenue	4,222,600	4,222,600	4,565,205	342,605
Expenditures				
Current:				
General government	963,440	963,440	991,533	(28,093)
Public safety	3,059,624	3,059,624	3,164,487	(104,863)
Public works	1,533,074	1,533,074	1,548,585	(15,511)
Culture and recreation	350,256	350,256	337,410	12,846
Capital outlay	57,000	57,000	98,562	(41,562)
Debt service	308,056	308,056	308,056	—
Total expenditures	6,271,450	6,271,450	6,448,633	(177,183)
Excess (deficiency) of revenue over expenditures	(2,048,850)	(2,048,850)	(1,883,428)	165,422
Other Financing Sources (uses)				
Transfers in	2,048,850	2,048,850	1,988,850	(60,000)
Transfers (out)	—	—	—	—
Bonds proceeds	—	—	855,000	(855,000)
Total other financing sources (uses)	2,048,850	2,048,850	2,843,850	795,000
Net change in fund balance	—	—	960,422	960,422
Fund balance, beginning of year	3,205,766	3,205,766	3,205,766	—
Cumulative effect of restatement (Note 16)	—	—	(368,123)	(368,123)
Fund balance, end of year	\$ 3,205,766	\$ 3,205,766	\$ 3,798,065	\$ 401,877

CITY OF BENNETTSVILLE, SOUTH CAROLINA
GENERAL FUND
NOTES TO BUDGETARY COMPARISON SCHEDULE
YEAR ENDED APRIL 30, 2015

Notes to Budgetary Comparison Schedule.

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

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

CITY OF BENNETTSVILLE, SOUTH CAROLINA

OTHER FINANCIAL INFORMATION

CITY OF BENNETTSVILLE, SOUTH CAROLINA

COMBINING 'NON-MAJOR' GOVERNMENTAL
FINANCIAL STATEMENTS

CITY OF BENNETTSTVILLE, SOUTH CAROLINA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

APRIL 30, 2015

	Special Revenue Funds							Total Special Revenue Funds	Capital Projects Fund	Totals
	Housing Rehabilitation Fund	Housing Assistance Fund	CDBG Repayment Fund	Upper Story Housing Fund	Tourism & Business Fund	Hospitality Fund	Fire Ins. & Inspectors Fund			
Assets										
Cash and cash equivalents:										
Unrestricted	\$ —	\$ —	\$ —	\$ —	\$ 57,986	\$ 311,119	\$ —	\$ 369,105	\$ 185,468	\$ 554,573
Restricted	47,536	23,405	23,697	—	—	—	31,604	126,242	—	126,242
Due from other funds	—	—	—	—	—	—	—	—	—	—
Notes receivables-housing assistance loans, net	—	—	—	880,000	—	—	—	880,000	—	880,000
Total assets	\$ 47,536	\$ 23,405	\$ 23,697	\$ 880,000	\$ 57,986	\$ 311,119	\$ 31,604	\$ 1,375,347	\$ 185,468	\$ 1,560,815
Liabilities and Fund Balances										
Liabilities:										
Due to other funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 607,146	\$ 607,146
Total liabilities	—	—	—	—	—	—	—	—	607,146	607,146
Fund balances:										
Restricted for:										
Housing assistance	47,536	23,405	23,697	880,000	—	—	—	974,638	—	974,638
Firemen education	—	—	—	—	—	—	31,604	31,604	—	31,604
Assigned to:										
Capital projects	—	—	—	—	—	—	—	—	—	—
Tourism and community development	—	—	—	—	57,986	311,119	—	369,105	—	369,105
Unassigned (deficit)	—	—	—	—	—	—	—	—	(421,678)	(421,678)
Total fund balances	47,536	23,405	23,697	880,000	57,986	311,119	31,604	1,375,347	(421,678)	953,669
Total liabilities and fund balances	\$ 47,536	\$ 23,405	\$ 23,697	\$ 880,000	\$ 57,986	\$ 311,119	\$ 31,604	\$ 1,375,347	\$ 185,468	\$ 1,560,815

CITY OF BENNETTSTVILLE, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2015

	Special Revenue Funds										Total						
	Housing Rehabilitation Fund	Housing Assistance Fund	CDBG Repayment Fund	Upper Story Housing Fund	Tourism & Business Fund	Fire Ins. & Inspectors Fund	Hospitality Fund	Special Revenue Funds	Capital Projects Fund	Total							
Revenue																	
Intergovernmental	---	\$	---	\$	---	\$	70,705	\$	258,124	\$	36,215	\$	365,044	\$	7,250	\$	372,294
Other	172		549		1,109		25		29		42		1,926		19		1,945
Total revenue	172		549		1,109		70,730		258,153		36,257		366,970		7,269		374,239
Expenditures																	
General government:																	
Miscellaneous	1,032		---		---		---		---		26,688		27,720		1,010		28,730
Culture and recreation:																	
Tourism related	---		---		---		18,205		79,773		---		97,978		---		97,978
Capital outlay	---		---		---		---		---		---		---		783,628		783,628
Total expenditures	1,032		---		---		18,205		79,773		26,688		125,698		784,638		910,336
Excess (deficiency) of revenue over expenditures	(860)		549		1,109		52,525		178,380		9,569		241,272		(777,369)		(536,097)
Other Financing Sources (Uses)																	
Transfers in (out)	---		---		---		(121,850)		(207,000)		---		(328,850)		40,000		(288,850)
Net change in fund balances	(860)		549		1,109		(69,325)		(28,620)		9,569		(87,578)		(737,369)		(824,947)
Fund balances, beginning of year	48,396		22,856		22,588		127,311		339,739		22,035		1,462,925		315,691		1,778,616
Fund balances, end of year	\$ 47,536		\$ 23,405		\$ 23,697		\$ 57,986		\$ 311,119		\$ 31,604		\$ 1,375,347		\$ (421,678)		\$ 953,669

CITY OF BENNETTSVILLE, SOUTH CAROLINA

INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF BENNETTSVILLE, SOUTH CAROLINA

GENERAL FUND

CITY OF BENNETTSVILLE, SOUTH CAROLINA

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

YEAR ENDED APRIL 30, 2015
(With comparative actual amounts at year ended April 30, 2014)

	Final Budget	Actual	Variance Over (Under)	Prior Year
Revenue				
Taxes, penalties and fees	\$ 1,000,000	\$ 1,076,678	\$ 76,678	\$ 937,875
Local option sales tax	716,000	762,596	46,596	638,094
Licenses, permits, and franchise fees	838,500	848,112	9,612	829,288
Fines and forfeitures	207,200	204,985	(2,215)	195,627
Intergovernmental:				
Grants	—	96,459	96,459	26,042
Other intergovernmental	425,000	480,910	55,910	448,349
User fees – community center	—	28,679	28,679	22,439
Solid waste collection fees	952,000	936,284	(15,716)	940,929
Rental fees	—	13,236	13,236	16,186
Interest income	400	26	(374)	237
Sale of capital assets	—	7,027	7,027	—
Other	83,500	110,213	26,713	80,750
Total revenue	4,222,600	4,565,205	342,605	4,135,816
Expenditures				
Current:				
General government:				
City council	111,185	107,858	3,327	102,572
City attorney	23,213	23,214	(1)	22,648
Municipal judge and court	104,705	114,329	(9,624)	105,235
City administrator	216,383	222,775	(6,392)	221,331
Planning and zoning	190,187	193,535	(3,348)	209,211
Finance	160,988	154,869	6,119	94,500
Human resources	41,742	40,277	1,465	36,962
Non-departmental	115,037	187,920	(72,883)	172,203
Less, capital outlay	—	(53,244)	53,244	—
Total general government	963,440	991,533	(28,093)	964,662
Public safety:				
Police	2,365,367	2,462,227	(96,860)	2,379,573
Fire	694,257	721,414	(27,157)	728,942
Less, capital outlay	—	(19,154)	19,154	—
Total public safety	3,059,624	3,164,487	(104,863)	3,108,515
Public works:				
Streets and sanitation	1,259,690	1,338,608	(78,918)	1,233,850
Maintenance shop	61,539	58,191	3,348	61,740
Beautification and recycling	211,845	177,950	33,895	205,023
Less, capital outlay	—	(26,164)	26,164	—
Total public works	1,533,074	1,548,585	(15,511)	1,500,613
Culture and recreation:				
Recreation	350,256	337,410	12,846	318,449
Total culture and recreation	350,256	337,410	12,846	318,449
Capital outlay – all departments	57,000	98,562	(41,562)	54,013
Debt service	308,056	308,056	—	119,317
Total expenditures	6,271,450	6,448,633	(177,183)	6,065,569

CITY OF BENNETTSVILLE, SOUTH CAROLINA

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

— CONTINUED —

	Final Budget	Actual	Variance Over (Under)	Prior Year
Excess (deficiency) of revenue over expenditures	(2,048,850)	(1,883,428)	165,422	(1,929,753)
Other Financing Sources (Uses)				
Transfers in	2,048,850	1,988,850	(60,000)	1,852,000
Transfers (out)	—	—	—	(90,000)
Bonds proceeds	—	855,000	855,000	—
Total other financing sources (uses)	2,048,850	2,843,850	795,000	1,762,000
Net change in fund balance	—	960,422	960,422	(167,753)
Fund balance, beginning of year	3,205,766	3,205,766	—	3,373,519
Cumulative effect of restatement (Note 16)	—	(368,123)	(368,123)	—
Fund balance, end of year	\$ 3,205,766	\$ 3,798,065	\$ 401,877	\$ 3,205,766

CITY OF BENNETTSVILLE, SOUTH CAROLINA

COMBINED UTILITY FUND

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

YEAR ENDED APRIL 30, 2015
 (With comparative actual amounts at year ended April 30, 2014)

	<u>Final Budget</u>	<u>Current Year</u>	<u>Variance Over (Under)</u>	<u>Prior Year</u>
Operating Revenue				
Sales and services:				
Water	\$ 1,667,400	\$ 1,642,946	\$ (24,454)	\$ 1,668,070
Sewer	1,846,400	1,843,351	(3,049)	1,890,294
Electric	10,692,000	10,586,486	(105,514)	10,660,960
Gas	2,500,600	2,732,898	232,298	2,856,260
Penalties, reconnect fees and other revenue	404,400	393,881	(10,519)	478,476
Total operating revenue	<u>17,110,800</u>	<u>17,199,562</u>	<u>88,762</u>	<u>17,554,060</u>
Operating Expenses				
Water plant	1,045,561	842,607	202,954	887,098
Water distribution	330,156	342,995	(12,839)	397,651
Wastewater treatment plant	618,466	464,024	154,442	444,451
Sewer/Stormwater collection	174,139	172,651	1,488	189,165
Electricity purchase and transmission	8,623,048	8,503,743	119,305	8,879,266
Gas purchase and distribution	2,075,200	2,081,578	(6,378)	2,412,492
Administration	602,769	603,893	(1,124)	558,493
Billing office	538,381	541,398	(3,017)	514,863
Capital plan	819,553	—	819,553	—
Non-departmental	266,031	124,122	141,909	181,112
Depreciation expense	—	1,321,216	(1,321,216)	1,304,409
Total operating expenses	<u>15,093,304</u>	<u>14,998,227</u>	<u>95,077</u>	<u>15,769,000</u>
Operating income	<u>2,017,496</u>	<u>2,201,335</u>	<u>183,839</u>	<u>1,785,060</u>
Non-Operating Revenue (Expenses)				
Interest income	33,000	40,919	7,919	15,265
Interest expense	(350,496)	(350,496)	—	(508,871)
Bond issuance cost	—	—	—	(227,387)
Total non-operating revenue (expenses)	<u>(317,496)</u>	<u>(309,577)</u>	<u>7,919</u>	<u>(720,993)</u>
Income before contributions and transfers	<u>1,700,000</u>	<u>1,891,758</u>	<u>191,758</u>	<u>1,064,067</u>
Capital contributions				
Capital grants	—	417,695	417,695	128,240
Contributed capital	—	—	—	30,000
Total capital contributions	<u>—</u>	<u>417,695</u>	<u>417,695</u>	<u>158,240</u>
Transfers				
Transfers to General Fund	(1,700,000)	(1,700,000)	—	(1,700,000)
Change in net position	<u>—</u>	<u>609,453</u>	<u>609,453</u>	<u>(477,693)</u>
Net position, beginning of year	14,325,322	14,325,322	—	14,803,015
Net position, end of year	<u>\$ 14,325,322</u>	<u>\$ 14,934,775</u>	<u>\$ 609,453</u>	<u>\$ 14,325,322</u>

VICTIM'S RIGHTS ASSISTANCE

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

Court Fines and Assessments	
Court fines and assessments collected	\$ 352,539
Court fines and assessments remitted to State Treasurer	<u>(180,620)</u>
Total court fines and assessments retained by the City	<u>\$ 171,919</u>
Surcharges and Assessments retained for Victims Services	
Total surcharges collected	\$ 7,987
Total assessments	<u>15,845</u>
Total surcharges and assessments retained for victims services	<u>\$ 23,832</u>
Funds Allocated to Victims Services	
Carryover funds from prior year	\$ —
Surcharges and assessments retained	23,832
Expenditures for victims services	<u>(23,832)</u>
Unexpended victim's rights assistance funds	<u>\$ —</u>