

**AUDITED FINANCIAL STATEMENTS  
TOWN OF ALLENDALE**



**SOUTH CAROLINA  
JUNE 30, 2017**

**AUDITED FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Allendale, South Carolina**  
**Year Ended June 30, 2017**

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

List of Principal Officers .....	Page	4
Organization Chart .....		5

### FINANCIAL SECTION

Independent Auditor's Report .....		8 - 9
Management's Discussion and Analysis .....		9 - 19

#### Basic Financial Statements

Government-wide Financial Statements		
Statement of Net Position .....		20
Statement of Activities .....		21

#### Fund Financial Statements

Governmental Funds		
Balance Sheet .....		22
Reconciliation of Governmental Funds Balance Sheet to The Statement of Net Position .....		23
Statement of Revenues, Expenditures and Changes in Fund Balance--Governmental Funds .....		24
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances To The Statement of Activities .....		25
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget (GAAP) to Actual--General Fund .....		26

#### Proprietary Fund

Statement of Net Position .....		28 - 29
Statement of Revenues, Expenses and Changes in Net Position .....		30 - 31
Statement of Cash Flows .....		32 - 33

Notes to Basic Financial Statements .....		34 - 57
---	--	---------

#### Required Supplementary Information

Schedule of Employer Proportionate Share of Net Pension Liability .....		59
Schedule of Employer Contributions .....		60

#### Supplementary Information

Individual Fund Financial Statements and Schedules		
General Fund		
Schedule of Revenue, Expenditures, and Changes in Fund Balance --Budget (GAAP) to Actual .....		62 - 65
Schedule of Fines, Assessments and Surcharges .....		66

#### Compliance Section

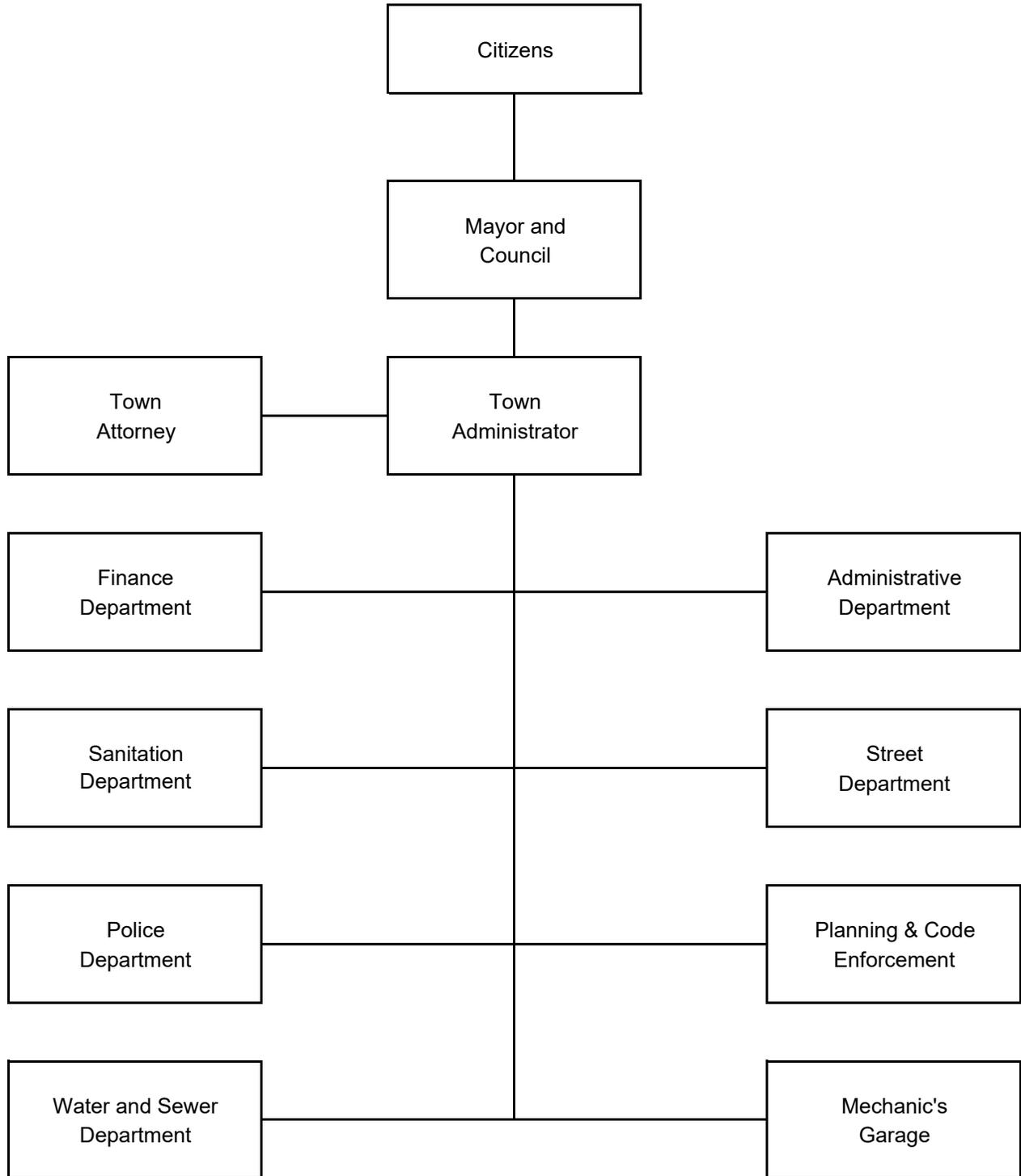
Report on Compliance and Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards .....		68 - 69
Schedule of Findings and Questioned Costs .....		70 - 72

## **INTRODUCTORY SECTION**

**LIST OF PRINCIPAL OFFICERS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

<b>Title</b>	<b>Name</b>
Mayor	Ronnie Jackson
Council Member	James Everett
Council Member	Lee Harley-Fitts
Council Member	James Grant
Council Member	Lottie Lewis
Council Member	Vernie Harney
Council Member	DeShawn Maner
Town Administrator	DeWayne Ennis
Town Attorney	Martin Harvey, Esquire
Finance Director	Tanya Ward
Town Clerk	Algela Dobson
Water and Sewer Superintendent	Alan Stanley
Police Chief	Robert Sullivan
Sanitation Superintendent	James Elmore
Mechanics Superintendent	George Elmore

**ORGAINZATION CHART  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**



## **FINANCIAL SECTION**

# Hamilton McKinney & Moss

Certified Public Accountants



Members:  
American Institute of Certified Public Accountants  
South Carolina Association of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council  
Of the Town of Allendale, South Carolina

### Scope

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allendale, South Carolina (Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town'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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinions

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

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 19 and the schedules of proportionate share of net pension liability and employer contributions on pages 59 and 60 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 statement in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

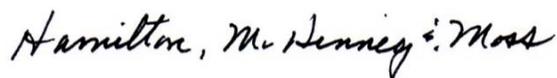
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information section, general fund schedule of revenues, expenditures, and changes in fund balance—budget (GAAP) to actual and the schedule of fines, assessments and surcharges, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary general fund schedule of revenues—budget to actual and schedule of expenditures—budget to actual and the schedule of fines, assessments and surcharges are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Town's basic financial statements. The Individual fund statements and schedules and the schedule of fines, assessments and surcharges described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 11, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

This section of the annual financial report of the Town of Allendale, South Carolina presents an analysis of the Town's financial performance during the year ended June 30, 2017. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**Using the Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 21) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

**Reporting the Town as a Whole**

*The Statement of Net Position and the Statement of Activities*

Our analysis of the Town as a whole begins on page 20. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the fiscal year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets (the difference between assets and liabilities) as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax and business license base and economic conditions effecting it's base and the condition of the Town's water, sewer and wastewater treatment systems, in order to assess the overall health of the Town.

In the Statement of Net Position and the Statements of Activities, we divide the Town into two kinds of activities.

Governmental activities--Most of the Town's basic services are reported here, including the legislative, judicial, administration, finance, community development, public works, police and general government functions. Taxes, licenses, fines, fees, permits, and state and federal revenues and grants finance most of these activities

Business-type activities--The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's water, sewer, wastewater treatment, industrial pretreatment, and sanitation functions are reported here.

**Reporting the Town's Most Significant Funds**

*Fund Financial Statements*

Our analysis of the Town's major funds begins on Page 20. The fund financial statements provide detailed information about the most significant funds--not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town uses two kinds of funds--governmental and proprietary with different accounting approaches.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

*Fund Financial Statements--continued*

Governmental funds--most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources, that can be spent in the near future to finance the Town's functions. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and The Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary funds--When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**The Town as a Whole**

For the year ended June 30, 2017 net assets changed as follows:

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 2,301,467	\$ 2,048,032	\$ 4,349,499
Increase (decrease) in net position	<u>248,657</u>	<u>(372,043)</u>	<u>(123,386)</u>
Ending net position	<u><u>2,550,124</u></u>	<u><u>1,675,989</u></u>	<u><u>4,226,113</u></u>
Percentage change in net position	10.8%	-18.2%	-2.8%

This reflects a substantial increase of \$265,777 in governmental activities primarily and a substantial decrease in business-type activities of \$372,043 primarily due to interfund transfers of \$341,213. Without the transfer business-type activities would have broken even even with the recording on depreciation expense of 4245,987 which does not involve a cash flow from operating activities.

**NET POSITION**

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current and other assets--				
net of internal balances	\$ 806,009	\$ 472,841	\$ 495,589	\$ 454,999
Internal balances	887,007	641,570	(887,007)	(641,570)
Capital assets	<u>2,525,843</u>	<u>2,626,689</u>	<u>4,792,955</u>	<u>4,930,604</u>
Total assets	<u><u>\$ 4,218,859</u></u>	<u><u>\$ 3,741,100</u></u>	<u><u>\$ 4,401,537</u></u>	<u><u>\$ 4,744,033</u></u>
Deferred outflows of resources	<u><u>\$ 443,245</u></u>	<u><u>\$ 163,522</u></u>	<u><u>\$ 247,652</u></u>	<u><u>\$ 96,146</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NET POSITION--continued**

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current liabilities	\$ 171,010	\$ 128,394	\$ 170,397	\$ 146,804
Long-term liabilities	<u>1,510,384</u>	<u>1,209,974</u>	<u>2,635,704</u>	<u>2,456,190</u>
Total liabilities	<u>\$ 1,681,394</u>	<u>\$ 1,338,368</u>	<u>\$ 2,806,101</u>	<u>\$ 2,602,994</u>
Deferred inflows of resources	<u>\$ 430,586</u>	<u>\$ 264,796</u>	<u>\$ 167,099</u>	<u>\$ 189,152</u>
Net position				
Invested in capital assets	\$ 2,412,320	\$ 2,452,416	\$ 3,155,804	\$ 3,234,046
Restricted	16,784	49,828	184,985	181,918
Unrestricted	<u>102,133</u>	<u>(200,777)</u>	<u>(1,664,800)</u>	<u>(1,367,931)</u>
Total net position	<u>\$ 2,531,237</u>	<u>\$ 2,301,467</u>	<u>\$ 1,675,989</u>	<u>\$ 2,048,033</u>
			Total Government	
			2017	2016
Current and other assets			\$ 1,301,598	\$ 927,840
Internal balances			-	-
Capital assets			<u>7,318,798</u>	<u>7,557,293</u>
Total assets			<u>\$ 8,620,396</u>	<u>\$ 8,485,133</u>
Deferred outflows of resources			<u>\$ 690,897</u>	<u>\$ 259,668</u>
Other liabilities			\$ 341,407	\$ 275,198
Long-term liabilities			<u>4,146,088</u>	<u>3,666,164</u>
Total liabilities			<u>\$ 4,487,495</u>	<u>\$ 3,941,362</u>
Deferred inflows of resources			<u>\$ 597,685</u>	<u>\$ 453,948</u>
Net position				
Invested in capital assets			5,568,124	5,686,462
Restricted			201,769	231,746
Unrestricted			<u>(1,562,667)</u>	<u>(1,568,708)</u>
Total net position			<u>\$ 4,207,226</u>	<u>\$ 4,349,500</u>

By far the largest portion of the Town's net position (132%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery and equipment), net of any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens, consequently, these assets are not available for future spending. Although the Town's investment in 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. An additional portion of the Town's net position (5%) represents resources that are subject to external restriction on how they are used.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
<b>Revenues</b>				
Program revenues				
Charges for service	\$ 78,099	\$ 32,244	\$ 1,479,888	\$ 1,557,999
Capital grants and contributions	42,464	45,145	-	-
General revenues				
Taxes	543,022	434,707	-	-
Lease revenue	43,992	31,197	-	-
Business licenses	57,743	58,216	-	-
Franchise fees	408,955	421,890	-	-
Zoning fees and building permits	14,968	704	-	-
Merchant inventory tax	9,933	4,967	-	-
Accommodations tax	141,624	842	-	-
Local option sales tax	289,296	304,392	-	-
Local government aid	102,227	59,924	-	-
Interest income	52	330	11	12
Other	16,217	4,980	-	-
Insurance recoveries	29,402	50,429	-	-
	<u>1,777,994</u>	<u>1,449,967</u>	<u>1,479,899</u>	<u>1,558,011</u>
Total revenues	1,777,994	1,449,967	1,479,899	1,558,011
<b>Expenses</b>				
Governmental activities				
Legislative	102,387	72,737	-	-
Judicial	74,801	92,726	-	-
Administrative	162,382	186,045	-	-
Finance	217,347	280,349	-	-
Community Development	75,701	17,060	-	-
Public works	88,548	117,686	-	-
Police	849,340	674,556	-	-
General government	140,830	170,570	-	-
Interest on long-term obligations	6,556	8,621	-	-
Bond issuance costs	-	-	-	-
Water and sewer	-	-	736,323	625,635
Wastewater treatment	-	-	600,703	478,347
Sanitation	-	-	432,361	454,416
	<u>1,717,892</u>	<u>1,620,350</u>	<u>1,769,387</u>	<u>1,558,398</u>
	1,717,892	1,620,350	1,769,387	1,558,398
Increase (decrease) in net position	<u>\$ 60,102</u>	<u>\$ (170,383)</u>	<u>\$ (289,488)</u>	<u>\$ (387)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**CHANGE IN NET POSITION--continued**

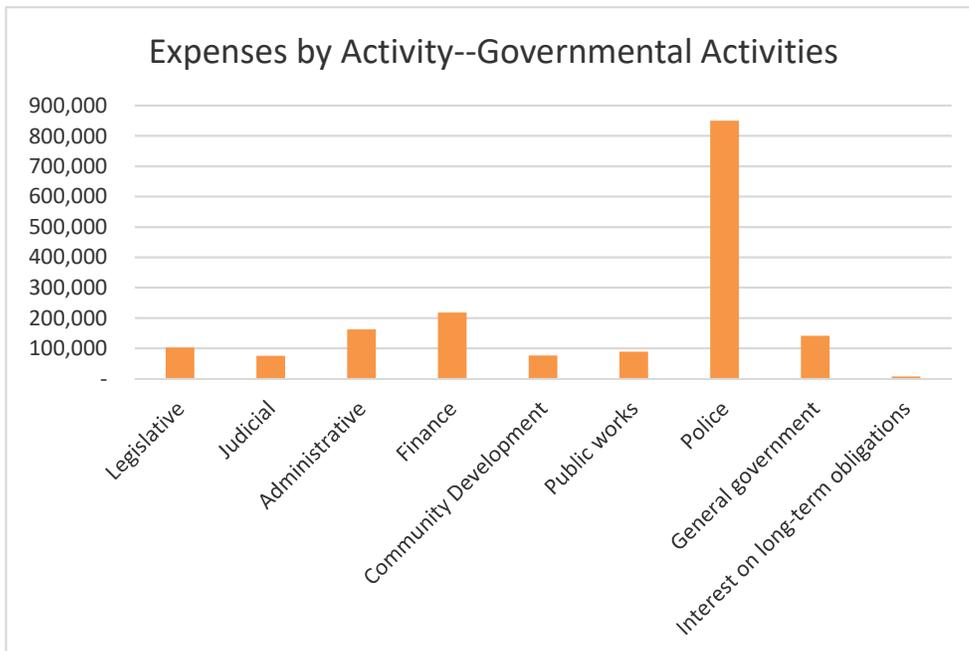
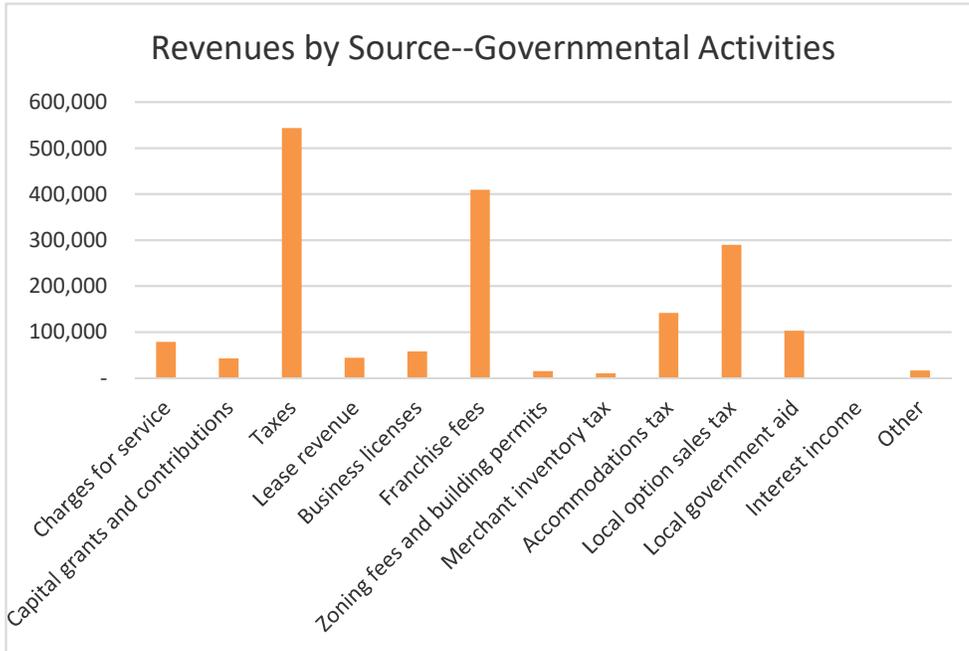
	Total Government	
	2017	2016
Revenues		
Program revenues		
Charges for service	\$ 1,557,987	\$ 1,590,243
Capital grants and contributions	42,464	45,145
General revenues		
Taxes	543,022	434,707
Lease revenue	43,992	31,197
Business licenses	57,743	58,216
Franchise fees	408,955	421,890
Zoning fees and building permits	14,968	704
Merchant inventory tax	9,933	4,967
Accommodations tax	141,624	842
Local option sales tax	289,296	304,392
Local government aid	102,227	59,924
Interest income	63	342
Other	16,217	4,980
Insurance recoveries	29,402	50,429
Total revenues	3,257,893	3,007,978
Expenses		
Governmental activities		
Legislative	102,387	72,737
Judicial	74,801	92,726
Administrative	162,382	186,045
Finance	217,347	280,349
Community Development	75,701	17,060
Public works	88,548	117,686
Police	849,340	674,556
General government	140,830	170,570
Interest on long-term obligations	6,556	8,621
Business-type activities		
Water and sewer	736,323	625,635
Wastewater treatment	600,703	478,347
Sanitation	432,361	454,416
	3,487,279	3,178,748
Increase (decrease) in net position	\$ (229,386)	\$ (170,770)

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from that of a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular function reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**CHANGE IN NET POSITION--continued**

The most significant revenues of the governmental activities are general taxes and fees-in-lieu of taxes (33%), business licenses and franchise fees (26%), and state revenues (30%). Program revenues are 8% of total revenues of the governmental activities. Public safety (police) expenses are the most significant (49%) of all governmental activities expenses followed by public works (5%).

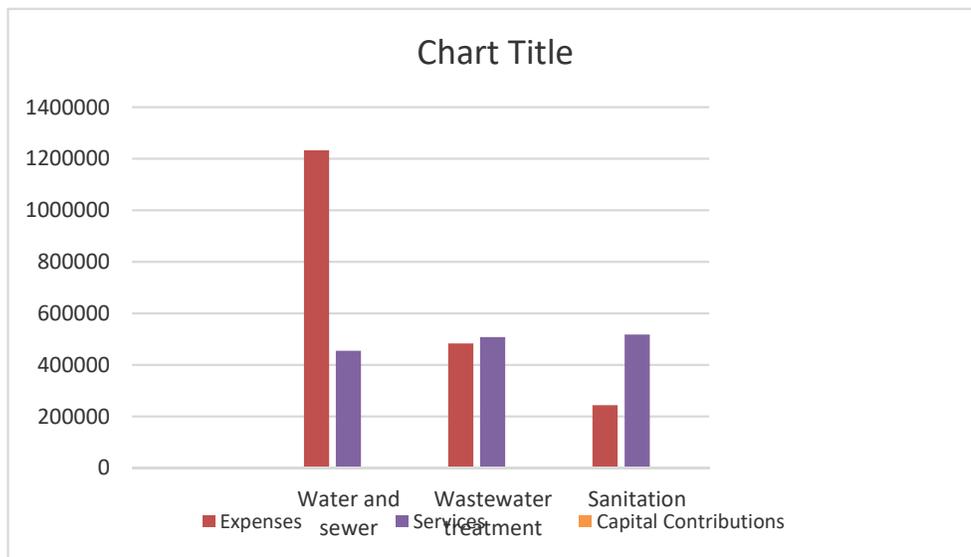


**MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**CHANGE IN NET POSITION--continued**

*Business-type Activities*

In reviewing the departmental net income (expense) the water and sewer, wastewater treatment, and sanitation operations are showing a net loss of \$183,488. Rate increases were implemented during the previous fiscal year year ended June 30, 2016 which were aimed toward helping the business-type activities to keep abreast with inflation and increased overhead cost associated with increased capacity. The Town is continuing to review rates and implement rate increases that can potentially bring operations to a breakeven point, as well as be affordable to its constituency. It must also be pointed out that, although, these functions are showing net (expense) arising from operating losses determined on an accrual basis of accounting, these functions produced a positive cash flows from operations of \$200,206 by comparison, as shown on the Proprietary Fund Statement of Cash Flows on page 30. This is the direct result of depreciation and amortization charges against operations totaling \$243,649 which do not involve an outlay of cash.



**Capital Assets**

At June 30, 2017, the Town had a total adjusted basis of \$7,318,798 in capital assets compared to \$7,557,293 at June 30, 2016. This represents a net decrease of \$238,495 from last year as a result of asset additions of \$136,457 reduced by depreciation charges of \$374,952. A summary of capital assets is as follows:

	Cost of Basis		Accumulated Depreciation	
	June 30,		June 30,	
	2017	2016	2017	2016
Governmental activities				
Land	\$ 123,241	\$ 123,241	\$ -	\$ -
Land improvements	325,780	325,780	144,544	138,556
Buildings and improvements	658,224	651,424	464,014	450,075
Mechanic garage	64,761	64,761	30,210	28,454
Furniture and fixtures	25,533	25,533	25,533	25,533
Office equipment	213,098	213,098	193,802	181,961
Vehicles, machinery and work equipment	1,747,782	1,724,125	1,489,874	1,410,792
Community development project	1,847,718	1,847,718	132,317	113,620
	5,006,137	4,975,680	2,480,294	2,348,991

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**Capital Assets--continued**

Business-type activities				
Land	41,285	41,285	-	-
Buildings and improvements	31,120	31,120	22,034	21,311
Vehicles, machinery and work equipment	1,009,266	1,009,266	943,319	928,519
Waterworks and sewer system and improvements	3,511,543	3,511,543	2,396,036	2,344,978
Wastewater treatment facility	6,952,398	6,846,398	3,403,629	3,228,530
Planning, survey and engineering	878,276	878,276	865,915	863,946
	<u>12,423,888</u>	<u>12,317,888</u>	<u>7,630,933</u>	<u>7,387,284</u>
Government-wide totals	<u>\$ 17,430,025</u>	<u>\$ 17,293,568</u>	<u>\$ 10,111,227</u>	<u>\$ 9,736,275</u>

		Net Capital Assets	
		June 30,	
		2017	2016
Governmental activities			
Land		\$ 123,241	\$ 123,241
Construction in progress		-	-
Land improvements		181,236	187,224
Buildings and improvements		194,210	201,349
Mechanic garage		34,551	36,307
Furniture and fixtures		-	-
Office equipment		19,296	31,137
Vehicles, machinery and work equipment		257,908	313,333
Community development project		<u>1,715,401</u>	<u>1,734,098</u>
		2,525,843	2,626,689
Business-type activities			
Land		41,285	41,285
Buildings and improvements		9,086	9,809
Vehicles, machinery and work equipment		65,947	80,747
Waterworks and sewer system and improvements		1,115,507	1,166,565
Wastewater treatment facility		3,548,769	3,617,868
Planning, survey and engineering		<u>12,361</u>	<u>14,330</u>
		<u>4,792,955</u>	<u>4,930,604</u>
Government- wide capital assets, net		<u>\$ 7,318,798</u>	<u>\$ 7,557,293</u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**Implementation of GASB Statements 67 and 68--continued**

- Recognize and report in their financial statements a proportionate share of the plan's net pension liability (NPL) on the face of their government-wide financial statements.
- Record pension expense in accordance with an actuarially determined pension expense rather than in accordance with actual contributions remitted to the plans based on rates established by state law.
- Record deferred inflows and outflows for some of the changes in the NPL, which defers a portion of the change to future periods.
- Include significantly expanded note disclosures and required supplementary information as it relates to the employer's participation in the plans.

The implementation of GASB Statement 68 does not directly impact contribution rates. The amounts being recorded by participating employers in order to comply with the requirements of GASB 68 are for accounting/reporting purposes only and are completely separate from the funding calculation. The new GASB requirements completely disconnect the accounting for pensions from the funding of pensions. Contribution requirements will continue to be set in accordance with Title 9 of the South Carolina Code of Laws, whereby rates are either set in statute or calculated as part of the annual actuarial valuation for funding purposes and voted on by the PEBA Board and the Budget & Control Board (State Fiscal Accountability Authority as of July 1, 2015).

The NPL required to be recorded in participating employer financial statements is an accounting estimate of the employer's proportionate share of the plan's unfunded portion of the total pension liability at a specific point in time. The unfunded portion will change from one year to the next and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include life expectancy, anticipated length of covered service, projected salaries, and expected pension trust fund investment returns. It is important to point out that participating employers are not allowed to make additional contributions in an attempt to pay down or pay off their proportionate share of the NPL. In addition, employers cannot discontinue their participation in the plan as the election to participate is irrevocable.

**Economic Factors and Next Year's Budget**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for the business-type activities. The Town's population is steadily growing and the demand for Town services is increasing. The Town's general fund budget is expected to remain steady and should, again, provide an excess of revenues over expenditures for the upcoming year. Over the past several years, The Town has been awarded over 2.5 million dollars in various grant awards and lease programs. These funds will be used toward the revitalization of its downtown area. It anticipates that the proposed revitalization projects will build economic development as well as tourism.

The Town expects the following changes to have a positive impact on next year's budget:

- Anticipated receipt of past due funds from SC Department of corrections regarding outstanding waste water pretreatment fees owed to the Town of approximately \$50,000.
- Addition of \$3.00 public works fee will generate additional general fund revenues.
- Anticipated fees-in-lieu of taxes from Collums Lumber Company will generate additional general fund revenues
- The Town anticipates to continue receiving state and federal funding through USDA towards the purchase of police vehicles and other equipment. This will substantially decrease capital-outlay burdens on the Town's local revenue resources.
- Anticipated water rate increases are expected to substantially increase future water and sewer enterprise fund revenues to adequately cover future anticipated expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**Economic Factors and Next Year's Budget--continued**

The Town expects the following changes to potentially have a negative impact on next year's budget:

- The millage tax increase cap imposed by the State of South Carolina continues to have a negative economic impact on the Town's fiscal budget, due to the fact that the Town has had a progressive decline in its population.
- Anticipated budget cuts by the State will directly impact the Town's general fund budget through declining state shared revenues.
- If the State of South Carolina approves a proposed cap of business license fees at \$100 per business the potential impact could substantially reduce business license fees to be collected by the Town.
- The rising costs for insurance, utilities, and maintenance will continue to substantially increase the Town's expenditures.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town Finance Director, P.O. Box 551, Allendale, S.C. 29810.

**STATEMENT OF NET POSITION**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 604,415	\$ 65,215	\$ 669,630
Receivables	165,923	197,679	363,602
Inventory	-	8,262	8,262
	<u>770,338</u>	<u>271,156</u>	<u>1,041,494</u>
Capital assets not being depreciated	123,241	41,285	164,526
Capital assets, net of accumulated depreciation	2,402,602	4,751,670	7,154,272
Other assets			
Restricted cash	35,671	121,922	157,593
Restricted investments, at cost	-	63,063	63,063
Internal balances, net	887,007	(887,007)	-
Goodwill	-	39,448	39,448
	<u>922,678</u>	<u>(662,574)</u>	<u>260,104</u>
<b>TOTAL ASSETS</b>	<b>4,218,859</b>	<b>4,401,537</b>	<b>8,620,396</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	443,245	247,652	690,897
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 4,662,104</u></b>	<b><u>\$ 4,649,189</u></b>	<b><u>\$ 9,311,293</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 29,736	\$ 37,901	\$ 67,637
Accrued liabilities	79,244	67,488	146,732
Grant program settlement payable	17,120	-	17,120
Short-term note payable	14,000	-	14,000
Noncurrent liabilities due within one year			
Bonds payable	23,361	65,008	88,369
Obligations under capital lease	7,549	-	7,549
	<u>171,010</u>	<u>170,397</u>	<u>341,407</u>
Noncurrent liabilities due in more that one year			
Bonds payable	24,763	1,572,141	1,596,904
Obligations under capital lease	57,850	-	57,850
Refundable deposits	-	73,324	73,324
Net pension liability	1,427,771	990,239	2,418,010
	<u>1,510,384</u>	<u>2,635,704</u>	<u>4,146,088</u>
<b>TOTAL LIABILITIES</b>	<b>1,681,394</b>	<b>2,806,101</b>	<b>4,487,495</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue from franchise fees	194,596	-	194,596
Pension plans	235,990	167,099	403,089
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>430,586</b>	<b>167,099</b>	<b>597,685</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,412,320	3,155,804	5,568,124
Restricted for			
Debt service	-	184,985	184,985
Victims assistance	18,887	-	18,887
Capital additions	16,784	-	16,784
Unrestricted and unassigned	102,133	(1,664,800)	(1,562,667)
<b>TOTAL NET POSITION</b>	<b><u>2,550,124</u></b>	<b><u>1,675,989</u></b>	<b><u>4,226,113</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 4,662,104</u></b>	<b><u>\$ 4,649,189</u></b>	<b><u>\$ 9,311,293</u></b>

See notes to financial statements.

**STATEMENT OF ACTIVITIES**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Legislative	\$ 102,387	\$ -	\$ -	\$ (102,387)		\$ (102,387)
Judicial	74,801	-	-	(74,801)		(74,801)
Administrative	162,382	-	-	(162,382)		(162,382)
Finance	217,347	-	-	(217,347)		(217,347)
Community Development	75,701	-	-	(75,701)		(75,701)
Public works	88,548	-	-	(88,548)		(88,548)
Police	849,340	78,099	-	(771,241)		(771,241)
General government	140,830	-	42,464	(98,366)		(98,366)
Interest on long-term obligations	6,556	-	-	(6,556)		(6,556)
	<u>1,717,892</u>	<u>78,099</u>	<u>42,464</u>	<u>(1,597,329)</u>		<u>(1,597,329)</u>
Business-type activities						
Water and sewer	736,323	454,455	-		(281,868)	(281,868)
Wastewater treatment	600,703	507,729	106,000		13,026	13,026
Sanitation	432,361	517,704	-		85,343	85,343
	<u>1,769,387</u>	<u>1,479,888</u>	<u>106,000</u>		<u>(183,499)</u>	<u>(183,499)</u>
<b>TOTAL GOVERNMENT</b>	<u>\$ 3,487,279</u>	<u>\$ 1,557,987</u>	<u>\$ 148,464</u>			<u>(1,780,828)</u>
General revenues						
Taxes				543,022	-	543,022
Lease revenue				43,992	-	43,992
Business licenses				57,743	-	57,743
Franchise fees				408,955	-	408,955
Zoning fees and building permits				14,968	-	14,968
Merchant inventory tax				9,933	-	9,933
Accommodations tax				141,624	-	141,624
Local option sales tax				289,296	-	289,296
Local government aid				102,227	-	102,227
Interest income				52	11	63
Other				16,217	-	16,217
Insurance recoveries				29,402	-	29,402
Transfers				188,555	(188,555)	-
<b>TOTAL GENERAL REVENUES</b>				<u>1,845,986</u>	<u>(188,544)</u>	<u>1,657,442</u>
<b>CHANGE IN NET POSITION</b>				<u>248,657</u>	<u>(372,043)</u>	<u>(123,386)</u>
<b>BEGINNING NET POSITION</b>				<u>2,301,467</u>	<u>2,048,032</u>	<u>4,349,499</u>
<b>ENDING NET POSITION</b>				<u>\$ 2,550,124</u>	<u>\$ 1,675,989</u>	<u>\$ 4,226,113</u>

See notes to financial statements.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

	General Fund
<b>Assets</b>	
Cash	\$ 604,415
Receivables	165,923
Advances to other funds	761,190
Restricted cash	<u>35,671</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,567,199</u></b>
<b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 29,284
Accrued liabilities	79,114
Grant program settlement payable	17,120
Short-term note payable	<u>14,000</u>
<b>TOTAL LIABILITIES</b>	<b>139,518</b>
Deferred inflows of resources	
Unearned revenue from franchise fees	194,596
Fund balance	
Restricted	35,671
Unrestricted, reported in General fund	<u>1,197,414</u>
<b>TOTAL FUND BALANCE</b>	<b><u>1,233,085</u></b>
<b>TOTAL LIABILITIES, DEFFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 1,567,199</u></b>

See notes to financial statements.

**RECONCILIATION THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

Fund balances--total governmental funds		\$ 1,233,085
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation</p>		
Capital assets of governmental activities	\$ 5,006,137	
Less accumulated depreciation on capital assets	2,480,294	2,525,843
<p>Long-term deferred outflows are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position</p>		
Deferred outflows of resources--pension plans		432,570
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds</p>		
General obligation bonds payable		(48,124)
Obligations under capital lease agreements		(65,399)
Net pension liability		(1,385,086)
<p>Long-term deferred inflows related to pension expense do not consume current financial resources and are, therefore, not reported in the fund financial statements</p>		
Deferred inflows of resources--pension plans		(228,787)
<p>Internal service funds are used to charge the cost of the mechanic's garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of of position--net of capital assets</p>		
		86,022
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 2,550,124</b>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
Year Ended June 30, 2017**

		General Fund
Revenues		
Local sources		\$ 1,146,779
Federal sources		42,464
State sources		543,080
Other sources		<u>16,269</u>
	TOTAL REVENUES	1,748,592
Expenditures		
Current		
Legislative		87,794
Judicial		79,245
Administrative		144,793
Finance		194,883
Community Development		71,632
Public works		109,892
Police		736,764
General government		136,128
Capital outlays		30,457
Debt service		
Principal		60,750
Interest		<u>6,556</u>
	TOTAL EXPENDITURES	<u>1,658,894</u>
	EXCESS OF REVENUES OVER EXPENDITURES	89,698
Other financing source		
Transfers-in (out)		160,504
Insurance recoveries		<u>29,402</u>
	TOTAL OTHER FINANCING SOURCES	<u>189,906</u>
	NET CHANGE IN FUND BALANCE	279,604
Fund balance at beginning of year		<u>953,481</u>
	FUND BALANCE AT END OF YEAR	<u><u>\$ 1,233,085</u></u>

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
TOWN OF ALLENDALE, SOUTH CAROLINA  
Year Ended June 30, 2017**

Net change in fund balance--total governmental funds reported above	\$ 279,604
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Capital assets purchases capitalized	30,457
Depreciation expense	(129,547)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Principal payments on general long-term debt	60,750
Amortization of deferred charges shown in governmental activities are not expended financial resources and, therefore, are not reported in the funds	
Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds	
Pension expense	(20,658)
Internal service funds are used to charge the cost of the mechanic's garage to individual funds. The interfund transfers of the internal service fund is included in governmental activities in the statement of activities--net of capital assets	
	<u>28,051</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 248,657</u></u>

*See notes to financial statements.*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP) TO ACTUAL  
GENERAL FUND  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Local sources	\$ 877,500	\$ 877,500	\$ 1,146,779	\$ 269,279
Federal sources	3,100	3,100	42,464	39,364
State sources	457,150	457,150	543,080	85,930
Other sources	35,400	35,400	16,269	(19,131)
	1,373,150	1,373,150	1,748,592	375,442
TOTAL REVENUES				
Expenditures				
Current				
Legislative	71,400	71,400	87,794	(16,394)
Judicial	53,300	53,300	79,245	(25,945)
Administrative	60,300	60,300	144,793	(84,493)
Finance	84,300	84,300	194,883	(110,583)
Community Development	82,850	82,850	71,632	11,218
Public works	170,800	170,800	109,892	60,908
Police	620,000	620,000	736,764	(116,764)
General government	189,800	189,800	136,128	53,672
Capital outlays	113,900	113,900	30,457	83,443
Debt service				
Principal	-	-	60,750	(60,750)
Interest	-	-	6,556	(6,556)
	1,446,650	1,446,650	1,658,894	(212,244)
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(73,500)	(73,500)	89,698	163,198
Other financing source				
Operating transfers-out	-	-	160,504	160,504
Insurance recoveries	30,000	30,000	29,402	(598)
	30,000	30,000	189,906	159,906
TOTAL OTHER FINANCING				
NET CHANGE IN FUND BALANCE	\$ (43,500)	\$ (43,500)	279,604	\$ 323,104
Fund balance at beginning of year			953,481	
FUND BALANCE AT END OF YEAR			\$ 1,233,085	

See notes to financial statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 TOWN OF ALLENDALE, SOUTH CAROLINA  
 June 30, 2017**

	Enterprise Fund				Internal Service Fund Mechanic Garage	
	Major Funds					Totals
	Water and Sewer System	Wastewater Treatment Facility	Sanitation Department	Total		
<b>Assets</b>						
Current assets						
Cash	\$ 65,215	\$ -	\$ -	\$ 65,215	\$ -	\$ 65,215
Receivables--service customers	197,679	-	-	197,679	-	197,679
Inventory	8,262	-	-	8,262	-	8,262
	<u>271,156</u>	<u>-</u>	<u>-</u>	<u>271,156</u>	<u>-</u>	<u>271,156</u>
Capital assets, not being depreciated	41,285	-	-	41,285	-	41,285
Capital assets, net of accumulated depreciation	1,168,824	3,548,768	34,076	4,751,668	34,550	4,786,218
Other assets						
Advances to other funds	-	1,645,784	-	1,645,784	125,817	1,771,601
Restricted cash	121,922	-	-	121,922	-	121,922
Restricted investments, at cost	63,063	-	-	63,063	-	63,063
Goodwill	39,448	-	-	39,448	-	39,448
	<u>224,433</u>	<u>1,645,784</u>	<u>-</u>	<u>1,870,217</u>	<u>125,817</u>	<u>1,996,034</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,705,698</b>	<b>\$ 5,194,552</b>	<b>\$ 34,076</b>	<b>\$ 6,934,326</b>	<b>\$ 160,367</b>	<b>\$ 7,094,693</b>
Deferred outflows of resources						
Pension plans	110,057	47,475	90,120	247,652	10,675	258,327
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,815,755</b>	<b>\$ 5,242,027</b>	<b>\$ 124,196</b>	<b>\$ 7,181,978</b>	<b>\$ 171,042</b>	<b>\$ 7,353,020</b>

Liabilities  
 See notes to financial statements.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 TOWN OF ALLENDALE, SOUTH CAROLINA  
 June 30, 2017**

Current liabilities						
Accounts payable	10,764	16,412	10,723	37,899	452	38,351
Accrued liabilities	62,482	3,460	1,546	67,488	130	67,618
Current maturities of long-term debt	37,929	27,079	-	65,008	-	65,008
	<u>111,175</u>	<u>46,951</u>	<u>12,269</u>	<u>170,395</u>	<u>582</u>	<u>170,977</u>
Long-term debt						
Revenue bonds payable	699,659	872,482	-	1,572,141	-	1,572,141
	<u>699,659</u>	<u>872,482</u>	<u>-</u>	<u>1,572,141</u>	<u>-</u>	<u>1,572,141</u>
Other liabilities						
Advances from other funds	2,173,750	-	359,041	2,532,791	-	2,532,791
Net pension liability	440,064	189,830	360,345	990,239	42,685	1,032,924
Refundable deposits	73,324	-	-	73,324	-	73,324
	<u>2,687,138</u>	<u>189,830</u>	<u>719,386</u>	<u>3,596,354</u>	<u>42,685</u>	<u>3,639,039</u>
<b>TOTAL LIABILITIES</b>	<b>3,497,972</b>	<b>1,109,263</b>	<b>731,655</b>	<b>5,338,890</b>	<b>43,267</b>	<b>5,382,157</b>
Deferred inflows of resources						
Pension plans	74,259	32,033	60,807	167,099	7,203	174,302
Net assets						
Invested in capital assets, net of related debt	472,521	2,649,207	34,076	3,155,804	34,550	3,190,354
Resstricted for capital additions	121,922	-	-	121,922	-	121,922
Resstricted for debt service	63,063	-	-	63,063	-	63,063
Unrestricted	(2,413,982)	1,451,524	(702,342)	(1,664,800)	86,022	(1,578,778)
	<u>(1,756,476)</u>	<u>4,100,731</u>	<u>(668,266)</u>	<u>1,675,989</u>	<u>120,572</u>	<u>1,796,561</u>
<b>TOTAL LIABILITIES, DEFERRED      INFLOWS OF RESOURCES      AND NET POSITION</b>	<b>\$ 1,815,755</b>	<b>\$ 5,242,027</b>	<b>\$ 124,196</b>	<b>\$ 7,181,978</b>	<b>\$ 171,042</b>	<b>\$ 7,353,020</b>

See notes to financial statements.

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

	Enterprise Funds				Internal Service Fund Mechanic Garage	Totals
	Major Funds			Total		
	Water and Sewer System	Wastewater Treatment Facility	Sanitation Department			
Operating revenues						
Charges and fees	\$ 454,455	\$ 507,729	\$ 517,704	\$ 1,479,888	\$ -	\$ 1,479,888
Internal service charges	-	-	-	-	41,810	41,810
<b>TOTAL REVENUE</b>	<b>454,455</b>	<b>507,729</b>	<b>517,704</b>	<b>1,479,888</b>	<b>41,810</b>	<b>1,521,698</b>
Operating expenses						
Personal services	213,472	92,085	175,476	481,033	20,706	501,739
Payroll taxes and benefits	108,873	44,641	112,616	266,130	9,005	275,135
Utilities	61,085	152,070	148	213,303	3,348	216,651
Telephone	3,073	3,875	-	6,948	-	6,948
Professional fees	16,383	1,000	2,000	19,383	-	19,383
Insurance and bonding	14,539	-	10,997	25,536	-	25,536
Printing, postage and office supplies	8,427	1,351	-	9,778	-	9,778
Vehicle operation and maintenance						
External service	33,763	8,043	43,209	85,015	1,963	86,978
Internal service	12,543	-	16,724	29,267	-	29,267
Pump and equipment maintenance	27,231	-	44,206	71,437	579	72,016
Materials and supplies	32,986	-	9,281	42,267	2,069	44,336
Chemicals and pretreatment contract	2,052	31,174	-	33,226	-	33,226
Street repairs	5,477	-	-	5,477	-	5,477
Cart and dumpster replacements	-	-	10,826	10,826	-	10,826
Laboratory tests	6,288	12,747	-	19,035	-	19,035
Uniforms	3,996	-	6,034	10,030	240	10,270
Licenses and permits	17,386	-	-	17,386	-	17,386
Radio maintenance	4,042	-	-	4,042	-	4,042
Landfill fees	-	-	6,895	6,895	-	6,895
Depreciation expense	63,980	175,099	4,570	243,649	1,757	245,406
Other	14,287	7,501	1,101	22,889	-	22,889
Net change in pension-related liabilities	52,468	27,578	(11,722)	68,324	2,143	70,467
	<b>702,351</b>	<b>557,164</b>	<b>432,361</b>	<b>1,691,876</b>	<b>41,810</b>	<b>1,733,686</b>
<b>OPERATING GAIN (LOSS)</b>	<b>(247,896)</b>	<b>(49,435)</b>	<b>85,343</b>	<b>(211,988)</b>	<b>-</b>	<b>(211,988)</b>

See notes to financial statements.

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 TOWN OF ALLENDALE, SOUTH CAROLINA  
 Year Ended June 30, 2017**

Non-operating revenues (expenses)						
Grant revenue	-	106,000	-	106,000	-	106,000
Interest income	11	-	-	11	-	11
Debt service--interest	(33,972)	(43,539)	-	(77,511)	-	(77,511)
	NET GAIN (LOSS)	(281,857)	13,026	85,343	(183,488)	(183,488)
Transfers		(495,792)	117,778	189,459	(188,555)	(160,504)
	INCREASE (DECREASE) IN NET POSITION	(777,649)	130,804	274,802	(372,043)	(343,992)
Net assets at beginning of year, as restated		(978,827)	3,969,927	(943,068)	2,048,032	2,140,553
	NET POSITION AT END OF YEAR	<u>\$ (1,756,476)</u>	<u>\$ 4,100,731</u>	<u>\$ (668,266)</u>	<u>\$ 1,675,989</u>	<u>\$ 1,796,561</u>

See notes to financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 TOWN OF ALLENDALE, SOUTH CAROLINA  
 Year Ended June 30, 2017**

	Enterprise Funds					Internal Service Fund Mechanic Garage	Totals
	Major Funds			Total			
	Water and Sewer System	Wastewater Treatment Facility	Sanitation Department				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 434,046	\$ 503,851	\$ 517,706	\$ 1,455,603	\$ -	\$ 1,455,603	
Payments to suppliers	(265,031)	(214,480)	(143,043)	(622,554)	(8,377)	(630,931)	
Payments to employees and benefit providers	(279,135)	(136,724)	(287,717)	(703,576)	(22,075)	(725,651)	
Internal activity--payments from (to) other funds	(12,543)	-	(16,724)	(29,267)	41,810	12,543	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(122,663)</b>	<b>152,647</b>	<b>70,222</b>	<b>100,206</b>	<b>11,358</b>	<b>111,564</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Advances/transfers from (to) other funds	212,739	(85,639)	(70,222)	56,878	(11,358)	45,520	
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>212,739</b>	<b>(85,639)</b>	<b>(70,222)</b>	<b>56,878</b>	<b>(11,358)</b>	<b>45,520</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Grant proceeds	-	106,000	-	106,000	-	106,000	
Purchases of capital assets	-	(106,000)	-	(106,000)	-	(106,000)	
Principal paid on capital debt	(35,939)	(23,469)	-	(59,408)	-	(59,408)	
Interest paid on capital debt	(33,972)	(43,539)	-	(77,511)	-	(77,511)	
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(69,911)</b>	<b>(67,008)</b>	<b>-</b>	<b>(136,919)</b>	<b>-</b>	<b>(136,919)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest on investments	11	-	-	11	-	11	
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>11</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>20,176</b>	<b>-</b>	<b>-</b>	<b>20,176</b>	<b>-</b>	<b>20,176</b>	
Cash and cash equivalents at beginning of year	166,961	-	-	166,961	-	166,961	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 187,137</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187,137</b>	<b>\$ -</b>	<b>\$ 187,137</b>	

See notes to financial statements.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES

Operating income (loss)	\$ (247,896)	\$ (49,435)	\$ 85,343	\$ (211,988)	\$ -	\$ (211,988)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation expense	63,980	175,099	4,570	243,649	1,757	245,406
Change in assets and liabilities						
Increase (decrease) in cash from operations						
Accounts receivable	(20,414)	(596)	-	(21,010)	-	(21,010)
Accounts payable	(14,011)	-	(8,346)	(22,357)	(177)	(22,534)
Accrued liabilities	43,210	-	377	43,587	65	43,652
Net pension-related liabilities	52,468	27,579	(11,722)	68,325	9,713	78,038
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (122,663)</u>	<u>\$ 152,647</u>	<u>\$ 70,222</u>	<u>\$ 100,206</u>	<u>\$ 11,358</u>	<u>\$ 111,564</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Allendale, South Carolina (Town) was originally incorporated on December 20, 1873. On June 9, 1976, the Town adopted the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. The Certificate of Incorporation was issued by the Secretary of the State on September 2, 1976. The Town operates under the Council form of government with the Mayor and six council members comprising the governing body. As authorized by its Code of Ordinances, the Town provides public safety (police), public works (streets), health and sanitation, licensing and regulation and general administrative services to its constituents.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In both the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles for business-type or enterprise reporting principles.

**Financial Reporting Entity**

In evaluating how to define the Town's financial reporting entity, management has considered all potential component units associated with the Town. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GAAP regardless of legal arrangements. The basic criterion for including a potential component unit is the Town's ability to exercise oversight responsibility. The most significant manifestation of this ability to exercise financial interdependency. Other manifestations include the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion is the scope of public service provided by the potential component unit and considering the extent to which the activity benefits the Town or its constituents, to the extent to which the activity is conducted within the Town's geographic boundaries and is generally available to its constituents.

A third criterion is the existence of special financing relationships between the potential component unit and the Town, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town's financial reporting entity comprises the primary government, the Town of Allendale, and its blended component unit, The Allendale Neighborhood Development Corporation.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. These component units' funds are blended into those of Town by appropriate activity type to compose the primary government presentation. Currently the Town has no blended component units.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

**Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a.) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b.) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. Currently, the Town has no Special Revenue Funds.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

*Capital Projects Fund*

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only on Capital Project Funds and it is used to account for the acquisition of Capital assets with transfers and/or advances made from other funds.

The Town accounts for the master plan development costs, real estate acquisition costs, architectural and engineering costs, and land improvement and survey costs incurred by ANDC for the "Flat Street Redevelopment Plan and Urban Redevelopment Project" provided by Town ordinance No. 2002-04 enacted on March 12, 2002. There were no capital projects transactions during the year ended June 30, 2016.

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the Town's judgment. Currently, the Town has no requirements to utilize a Debt Service Fund.

*Permanent Fund*

The Permanent Fund accounts for assets held by the Town pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund. Currently, the Town has no Permanent Funds.

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Town of Allendale Water and Sewer Fund and the Town of Allendale Sanitation Fund.

The Town of Allendale Water and Sewer Fund is comprised of three divisions as follows:

- a.) Waterworks and Sewer Systems - This division provides water and sewer services to the residents of the Town.
- b.) Allendale-Fairfax Wastewater Treatment Facility - This division provides joint sewer treatment services for residents of both the Town of Allendale and the neighboring Town of Fairfax. This division provides joint monitoring services to insure that certain businesses within both the Town of Allendale and the neighboring Town of Fairfax are properly pre-treating their industrial waste, in accordance with regulations of the Clean Water Act of 1977 (Public Law 95-217).

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

The Town of Allendale Sanitation Fund is comprised solely of the Town's sanitation division which provides sanitation services to residents of the Town of Allendale.

**Fiduciary Funds (not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the Town in a purely custodial capacity. Currently, the Town has no Agency Funds.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in Item b.) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- a.) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b.) The proprietary fund utilizes and "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c.) Agency funds are not involved in the measurement of results of operations: therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Assets, Liabilities and Equity**

**Cash and Investments**

For purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

The Town is authorized by ordinance to invest in obligations to the U.S. Treasury and commercial paper. The Town's investments consist of short-term certificates of deposits with a remaining maturity date of one year or less at the time of purchase. These investments are carried at cost.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, business licenses, and intergovernmental revenues and grants. Business-type activities report utilities and sanitation charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as Local option sales tax, property taxes, business licenses, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis but not deferred in the government-wide financial statements in accordance with the accrual basis. In instances in which differences between the use of the full accrual method and the modified accrual method (i.e. 60 day rule) of revenue recognition is not considered to be material the Town utilizes the modified-accrual basis for both government-wide and governmental fund financial reporting where both are reasonably expected to result in similar results.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Inventories and Prepaid Expenses**

Inventories of materials and supplies are stated at average cost, which approximates market. The costs of inventories and prepaid expenses are accounted for using the base consumption method (expensed when consumed).

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed asset are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The Town has maintained historical cost records on the majority of its fixed assets and, accordingly, carries these assets at historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives of type of assets is as follows:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and equipment	3 - 20 years
Utility system	25 - 50 years
Infrastructure	25 - 50 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as their use. The primary restricted assets are related to promissory note trustee accounts and utility customer deposits.

**Goodwill**

Goodwill purchased prior to November 1, 1970 is considered to have an unlimited life and consequently has not been subjected to amortization. Management annually reviews its purchased goodwill for impairment and recognizes impairment losses as fair market values of related assets acquired in the business combination falls below its related book values

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and obligations under capital lease agreements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a.) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b.) Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c.) Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Revenues, Expenditures and Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--by character	Current (further classified by function)
	Debt service
	Capital outlay

Proprietary Fund--by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at the fiscal year end. Project length financial plans are adopted for all capital projects funds whenever such projects are in force.

**Encumbrances**

The Town does not record encumbrances. Normally, encumbrances represent executory contracts including purchase orders that are outstanding commitments of the Town and are reported as a reservation of the respective fund balance of the Governmental Funds and an appropriation of retained earnings of the Proprietary Fund. They do not constitute an expenditure (expense) or liability until such time the goods are received or the service rendered, but are an extension of formal budgetary integration of the Governmental Funds and a commitment of the Proprietary Fund.

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported by the governmental fund that will pay it as an expenditure and a fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement, where applicable.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**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 Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. There are two types of subsequent events.

- a.) Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Recognized subsequent events generally result in the retroactive adjustment of the related amounts recorded in the financial statement.
- b.) Non-recognized subsequent events, consists of events or transactions that provided evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Non-recognized subsequent events do not generally result in changes in amounts recorded, but are reported in footnote disclosures, if significant.

**Imprelementation of New Accounting Pronouncements**

Beginning in fiscal year ended June 20, 2015, the Town implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*, which established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of GASB Statement 67, as well for nonemployer governments that have a legal obligation to contribute to those plans.

**NOTE B - COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state and local laws and contractual requirements. The Town's compliance with significant laws and regulations and demonstration of its stewardship over the Town's resources follows:

**Legal Compliance - Budgets**

During May and June of each fiscal year, departments and related agencies of the Town submit requests for appropriations to the Town's Finance Director for processing in formulation of the Town's upcoming fiscal year budget. The budget is prepared by fund, function and activity, and includes information on the current year estimates and requested appropriations for the next fiscal year. A proposed budget is formulated and presented to Town Council for review and revision. The revised budget is submitted and exposed for debate during formal budget hearings open to the public. Changes to the budget resulting from these hearings must be within the revenues and reserves estimated as available by the Town's Finance Director or the estimated revenues must be changed by an affirmative vote of majority of the Town Council. The budget for each upcoming fiscal year is usually adopted before June 30th of the prior fiscal year.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued**

Expenditures may not legally exceed budgeted appropriations at the program level. During the year no supplementary appropriations were necessary.

**Deposits and Investments - Laws and Regulations**

In accordance with South Carolina State law the Town is authorized to invest in the following types of investments:

- a.) Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged
- c.) Savings and loan associations to the extent they are secured by the Federal Deposit Insurance Corporation.
- d.) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, with a market value not less than the amount of the certificate of deposit so secured, including interest.

**Property Taxes**

Real property and all personal property taxes, other than automobile property taxes, attach as an enforceable lien on January 1st of each year. Real property taxes are levied in September of each year and are payable before January 15th of the subsequent year. Automobile property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tag expires. These taxes are assessed and collected by Allendale County, South Carolina under a joint billing and collection agreement. Other personal property taxes are levied in September of each year and are payable by January 15th of the subsequent year.

In the fund financial statements, property taxes are recorded as revenue in the period they are levied and become due and available within the current period or expected to be collected soon enough thereafter, within 60 days of each year end, to be used to pay liabilities of the current period. Additional amounts due to be collected after the 60-day period are considered immaterial in total and no additional accrual in the government-wide financial statements is recorded.

**Debt Restrictions and Covenants**

**General Obligation Debt**

The State of South Carolina limits the amount of outstanding general obligation bonded debt of the Town for non-utility or non-street purposes to no more that 8 percent of net assessed property valuation. For the year ended June 30, 2016 the Town had \$174,272 in outstanding general obligation debt.

**Revenue Bonds Payable**

Water and sewer revenue is restricted by revenue bond indentures to the extent necessary to retire outstanding bond obligations. In addition to principal and interest payments, the Town is required to fund and maintain certain restricted cash reserves as follows:

- b.) Operation and maintenance funds - an amount estimated to be needed for the cost of operating and maintaining the water and sewer system.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued**

- c.) Depreciation funds - 1/12th of the amount budgeted for the year for replacing or restoring obsolete items of the water and sewer system.
- d.) Contingency funds - 1/12th of the amount budgeted for the year for improvements, betterments, and extensions of the water and sewer system.

**NOTE C - CASH AND INVESTMENTS**

At June 30, 2017 the Town's deposits totaled \$769,417 and its bank balances totaled \$932,695. The bank balances were classified into three categories of custody risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2017. The categories of credit risk are defined as follows:

*Category 1* - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name.

*Category 2* - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

*Category 3* - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

	Category			Bank Balance
	1	2	3	
Demand deposits	\$ 250,000	\$ 682,695	\$ -	\$ 932,695
Certificates of deposit	65,056	-	-	65,056
	\$ 315,056	\$ 682,695	\$ -	\$ 997,751
Carrying value on government-wide statement of net position:				
Unrestricted cash				\$ 661,512
Restricted cash, including certificates of deposit				220,656
				\$ 882,168

**NOTE D - RECEIVABLES**

Receivables at June 30, 2017 consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes and licenses	\$ 5,638	\$ -	\$ 5,638
Service customers	-	197,679	197,679
Intergovernmental			
State of South Carolina	104,552	-	104,552
Grants	27,863	-	27,863
Other	27,870	-	27,870
	\$ 165,923	\$ 197,679	\$ 363,602

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE E - CAPITAL ASSETS**

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

	Balance at 30-Jun-16	Additions	Disposals	Balance at 30-Jun-17
Governmental activities				
Capital assets				
Not being depreciated				
Land	\$ 123,241	\$ -	\$ -	\$ 123,241
Being Depreciated				
Land improvements	325,780	-	-	325,780
Buildings and improvements	651,424	6,800	-	658,224
Mechanic garage	64,761	-	-	64,761
Furniture and fixtures	25,533	-	-	25,533
Office equipment	213,098	-	-	213,098
Vehicles, machinery and work equipment	1,724,125	23,657	-	1,747,782
Community development projects	1,847,718	-	-	1,847,718
	<u>4,852,439</u>	<u>30,457</u>	<u>-</u>	<u>4,882,896</u>
Less accumulated depreciation				
Land improvements	138,556	5,988	-	144,544
Buildings and improvements	450,075	13,939	-	464,014
Mechanic garage	28,454	1,756	-	30,210
Furniture and fixtures	25,533	-	-	25,533
Office equipment	181,961	11,841	-	193,802
Vehicles, machinery and work equipment	1,410,792	79,082	-	1,489,874
Community development projects	113,620	18,697	-	132,317
	<u>2,348,991</u>	<u>131,303</u>	<u>-</u>	<u>2,480,294</u>
Net being depreciated, net	<u>2,503,448</u>	<u>(100,846)</u>	<u>-</u>	<u>2,402,602</u>
Governmental activities, net	<u>\$ 2,626,689</u>	<u>\$ (100,846)</u>	<u>\$ -</u>	<u>\$ 2,525,843</u>
Depreciation expense by activity				
Legislative		\$ 9,863		
Administration		7,534		
Community development		23,074		
Public works		17,966		
Police		66,408		
General government		4,702		
		<u>129,547</u>		
Mechanic garage		1,756		
		<u>\$ 131,303</u>		

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE E - CAPITAL ASSETS--continued**

	Balance at 30-Jun-16	Additions	Disposals	Balance at 30-Jun-17
Business-type activities				
Capital assets				
Not being depreciated				
Land	\$ 41,285	\$ -	\$ -	\$ 41,285
	41,285	-	-	41,285
Being depreciated				
Buildings and improvements	31,120	-	-	31,120
Vehicles, machinery and work equipment	1,009,266	-	-	1,009,266
Waterworks and sewer system	3,511,543	-	-	3,511,543
Wastewater treatment facility	6,846,398	106,000	-	6,952,398
Planning, survey and engineering	878,276	-	-	878,276
	12,276,603	106,000	-	12,382,603
Less accumulated depreciation				
Buildings and improvements	21,311	723	-	22,034
Vehicles, machinery and work equipment	928,519	14,800	-	943,319
Waterworks and sewer system	2,344,978	51,058	-	2,396,036
Wastewater treatment facility	3,228,530	175,099	-	3,403,629
Planning, survey and engineering	863,946	1,969	-	865,915
	7,387,284	243,649	-	7,630,933
Net being depreciated, net	4,889,319	(137,649)	-	4,751,670
Business-type activities, net	<u>\$ 4,930,604</u>	<u>\$ (137,649)</u>	<u>\$ -</u>	<u>\$ 4,792,955</u>

**NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at June 30, 2017 were as follows:

	Receivables	Payables
Major Governmental Funds		
General Fund	\$ 761,190	\$ -
Major Enterprise Funds		
Water and Sewer Fund	-	2,173,750
Wastewater Treatment Fund	1,645,784	-
Sanitation Fund	-	359,041
Internal Service Fund	125,817	-
	<u>\$ 2,532,791</u>	<u>\$ 2,532,791</u>

The interfund balances reflect amounts due from one fund to another for obligations of that fund that has been satisfied by the other. The Town has not addressed the repayment of these interfund repayments and historically has made repayment whenever funds are available for repayment and anticipates that repayment will not be paid within one year.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS--continued**

Net Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
Major Governmental Funds		
General Fund	\$ 160,504	\$ -
Major Enterprise Funds		
Water and Sewer Fund	\$ -	\$ 495,792
Wastewater Treatment Fund	117,778	-
Sanitation Fund	189,459	-
Internal Service Fund	28,051	-
	<u>\$ 495,792</u>	<u>\$ 495,792</u>

During the course of normal operations the Town transfers of unrestricted monies between funds as it sees necessary to carry on the operations of its various activities to serve the public. The Town has not addressed the repayment of these interfund transfers repayments and historically has made repayment whenever funds are available and has not addressed whether such transfers will be considered permanent.

**NOTE G - REVENUE BONDS PAYABLE**

Revenue bonds were issued to acquire or construct proprietary fund assets and the revenue derived from these assets are pledged to repay the related bond principal and interest. All revenue bond transactions are accounted for as business-type activities.

The following is a summary of bond transactions for the year ended June 30, 2017:

Revenues bonds payable at June 30, 2016	\$ 1,696,558
Add revenue bonds issued	-
Less revenue bonds retired	(59,409)
Revenues bonds payable at June 30, 2017	\$ 1,637,149

The following balances were funds restricted as of June 30, 2017:

Unexpended grant proceeds--general fund	\$ 16,784
Victims advocate funds--general fund	18,887
Bond cushion funds--enterprise funds	184,985
	\$ 220,656

The following bond issues comprise revenue bonds payable as of June 30, 2017:

\$324,000 principal revenue bonds of 1986 payable to the United States Department of Agriculture, Farmers Home Administration for improvements to the Town's waterworks and sewer system issued in June 1986. In the initial year of issuance only interest at 6.125% per year was due in monthly payments. Thereafter, principal and interest of 6.125% per year due in monthly payments of \$1,825 for 39 years until paid. Final principal maturity is scheduled for June 2026.

127,942

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**NOTE G - REVENUE BONDS PAYABLE--continued**

\$1,240,800 principal revenue bonds of 1997 payable to the United States Department of Agriculture, Farmers Home Administration for improvements to the Town's waterworks and sewer system issued in February 1998. Principal and interest of 4.5% per year due in monthly payments of \$5,584 until paid. Final principal maturity is scheduled for February 2038. 899,561

\$525,337 principal revenue bonds of 2008 payable to the United States Department of Agriculture, Farmers Home Administration for improvements to the Town's waterworks and sewer system issued in September 2007. Principal and interest of 4.5% per year due in monthly payments of \$2,559 until paid. Final principal maturity is scheduled for September 2047. 522,059

\$148,300 principal revenue bonds of 2013 payable to the United States Department of Agriculture, Farmers Home Administration for improvements to the Town's waterworks and sewer system issued in September 2013. Principal and interest of 3.125% per year due in monthly payments of \$1,442 until paid. Final principal maturity is scheduled for February 2023. 87,587

\$ 1,637,149

The annual debt-service requirements to amortize outstanding revenue bonds as of June 30, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 65,008	\$ 71,912	\$ 136,920
2019	68,008	68,912	136,920
2020	70,973	65,947	136,920
2021	74,445	62,475	136,920
2022	77,904	59,016	136,920
2023 - 2027	301,902	247,872	549,774
2028 - 2032	304,661	183,919	488,580
2033 - 2037	380,425	108,155	488,580
2038 - 2042	154,524	43,688	198,212
2043 - 2047	136,681	16,859	153,540
2048	<u>2,618</u>	<u>5,059</u>	<u>7,677</u>
	<u><u>\$ 1,637,149</u></u>	<u><u>\$ 933,814</u></u>	<u><u>\$ 2,570,963</u></u>

**NOTE H - GENERAL OBLIGATION BONDS PAYABLE**

General obligation bonds were issued to acquire certain parcels of real property and to defray the costs of other capital projects as approved by the Town Council. All general obligation bonds are accounted for as governmental activities. The following bond issue comprise general obligation bonds payable as of June 30, 2017.

\$91,500 principal general obligation bond issued on June 19, 2016 payable to a financial institution in four annual principal installments of \$22,875 commencing May 1, 2016 through May 1, 2019. Interest will accrue on the unpaid principal balance at the rate of 6.30% per year.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

\$ 48,124

**NOTE H - GENERAL OBLIGATION BONDS PAYABLE--continued**

The following is a summary of bond transactions for the year ended June 30, 2017:

General obligation bonds payable at July 1, 2016	\$ 70,162
Less general obligation bonds retired	<u>(22,038)</u>
General obligation bonds payable at June 30, 2017	<u>\$ 48,124</u>

The annual debt-service requirements to amortize outstanding general obligation bonds as of June 30, 2016, including interest payments are as follows:

June 30,	Principal	Interest	Total
2018	\$ 23,361	\$ 2,888	\$ 26,249
2019	<u>24,763</u>	<u>1,486</u>	<u>26,249</u>
	<u>\$ 48,124</u>	<u>\$ 4,374</u>	<u>\$ 52,498</u>

**NOTE I - OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS**

During the year ended June 30, 2017, the Town leased under various capital lease agreements real estate costing \$84,000 and vehicles costing \$171,907. Costs and accumulated depreciation taken on these assets serving as lease collateral was as follows:

	Cost		Accumulated Depreciation	
	Governmental Activities	Business type Activities	Governmental Activities	Business type Activities
Land	\$ 54,951	\$ -	\$ -	\$ -
Buildings	29,049	-	1,385	-
Vehicles	<u>171,907</u>	<u>-</u>	<u>133,165</u>	<u>-</u>
	<u>\$ 255,907</u>	<u>\$ -</u>	<u>\$ 134,550</u>	<u>\$ -</u>

A summary of capital lease transactions for the year ended June 30, 2017 is as follows:

	Governmental	Business type
Capital lease obligations payable at July 1, 2016	\$ 104,110	\$ -
Capital lease obligations retired	<u>(38,711)</u>	<u>-</u>
Capital lease obligations payable at June 30, 2017	<u>\$ 65,399</u>	<u>\$ -</u>

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**NOTE I - OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS--continued**

Future minimum lease payments for obligations under capital lease agreements as of June 30, 2017 are as follows:

June 30,	Governmental activities		Business-like activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 7,549	\$ 1,475	\$ -	\$ -	\$ 9,024
2019	7,720	1,304	-	-	9,024
2020	7,895	1,129	-	-	9,024
2021	8,073	950	-	-	9,023
2022	8,256	768	-	-	9,024
2022 - 2025	25,906	1,166	-	-	27,072
	<u>\$ 65,399</u>	<u>\$ 6,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,191</u>

**NOTE J - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE J - PENSION PLANS--continued**

**Membership**

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

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

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

**Benefits**

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE J - PENSION PLANS--continued**

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to one-half of one percent per year.

**Required employee contribution rates for fiscal year 2016-2017 are as follows:**

SCRS

Employee Class Two	08.66% of earnable compensation
Employee Class Three	08.66% of earnable compensation

PORS

Employee Class Two	09.24% of earnable compensation
Employee Class Three	09.24% of earnable compensation

**Required employer contribution rates for fiscal year 2016-2017 are as follows:**

SCRS

Employer Class Two	11.41% of earnable compensation
Employer Class	11.41% of earnable compensation
Employer Incidental Death Benefit	00.15% of earnable compensation

PORS

Employer Class Two	13.84% of earnable compensation
Employer Class Three	13.84% of earnable compensation
Employer Incidental Death Benefit	00.20% of earnable compensation
Employer Accidental Death Benefit	00.20% of earnable compensation

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

**NOTE J - PENSION PLANS--continued**

The Town's required and actual employer contributions for the year ended June 30, 2016 are as follows

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Required contributions	\$ 85,863	\$ 52,392	\$ 138,255
Actual contributions	85,863	52,392	138,255
Variance	\$ -	\$ -	\$ -

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The most recent report on the Systems was issued as of July 1, 2015 on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020, annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2016, actuarial valuations using membership data as of July 1, 2016, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2016, valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Actuarial cost assumptions		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.5% to 12.5% *	4.0% to 10.0% *
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500
* - varies by service and includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
2016 PRSC Females multiplied by 111%	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE J - PENSION PLANS--continued**

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The Town's proportional share of the NPL amounts for SCRS and PORS are presented below:

Measurement Period Ended	Fiscal Year Ended		
<u>June 30,</u>	<u>June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2014	2014	\$ 1,432,428	\$ 508,127
2015	2015	\$ 1,534,876	\$ 566,691
2016	2016	\$ 1,323,029	\$ 521,778
2017	2017	\$ 1,668,110	\$ 749,900

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Town's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2017, the Town's percentage of the SCRS and PORS net pension liability was 0.007410% and 0.02737%, respectively.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation  
**NOTE J - PENSION PLANS--continued**

Asset Class	Target Asset Allocation	Expected Real Rate of Return	
		Arithmetic	Long-term
Global Equity			
Global Public Equity	31%	3.72%	2.08%
Private Equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
Real Assets			
Real Estate (Private)	5%	4.32%	0.22%
Real Estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
Opportunistic			
GTAA/Risk Party	10%	4.16%	0.42%
Hedge Funds (non-PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
Divirsified Credit			
Mixed Credit	6%	3.92%	0.24%
Emerging Markets Debt	5%	5.01%	0.25%
Private Debt	7%	4.37%	0.31%
Conservative Fixed Income			
Core Fixed Income	10%	1.60%	0.16%
Cash and Short Duration (Net)	2%	0.92%	0.02%
Total expected real rate of return	100%		5.32%
Inflation for actuarial purposes			2.25%
Total expected nominal return			7.57%

*Sensitivity Analysis*

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

System	Current Discount Rate		
	1% Decrease 6.5%	7.5%	1% Increase 8.5%
SCRS	\$ 2,149,965	\$ 1,668,110	\$ 1,375,738
PORS	\$ 1,012,508	\$ 749,900	\$ 543,047

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

**Pension Expense and Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2017 the Town recognized pension expense of \$167,843.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE J - PENSION PLANS--continued**

At June 30, 2017, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,123	\$ 52,737
Changes in assumptions	168,822	-
Net difference between projected and actual earnings on pension plan investments	213,109	88,009
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	294,844	262,343
Contributions subsequent to the measurement date	-	-
	<u>\$ 690,898</u>	<u>\$ 403,089</u>

Because the measurement dates and yearend dates correspond, the Town reported no deferred outflows of resources related to contributions subsequent to the measurement date which will be normally recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2017. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2017, measurement date was 4.073 years for SCRS and 4.553 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS	Total
2018	2018	\$ 7,924	\$ 36,755	\$ 44,679
2019	2019	41,164	49,213	90,377
2020	2020	95,279	45,801	141,080
2021	2021	(8,671)	20,342	11,671
		<u>\$ 135,696</u>	<u>\$ 152,111</u>	<u>\$ 287,807</u>

**Payables to the Pension Plans**

At June 30, 2017, the Town reported a payable of \$57,549 and \$28,092 for the outstanding amount of contributions due to SCRS and PORS, respectively. This liability will be paid in the normal course of paying year-end obligations.

**NOTE K - OPERATING LEASES**

As of June 30, 2016 the Town was obligated under a noncancellable operating lease agreement for rental of office equipment. Expected minimum rentals on an annual basis for each subsequent twelve month period are as follows: June 30, 2017 - \$3,540; June 30, 2018 - \$3,540; June 30, 2019 - \$3,540; June 30, 2020 - \$3,540; and June 30, 2021 - \$885.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**June 30, 2017**

**NOTE L - INTER-GOVERNMENT JOINT WASTEWATER TREATMENT OPERATIONS**

Pursuant to an inter-local agreement authorized by certain statutes of the State of South Carolina, the Town of Allendale joined with the neighboring Town of Fairfax to establish and operate a wastewater treatment plant and industrial pre-treatment program for the mutual benefit of both towns. The Town is responsible to the operations of the wastewater treatment plant and the pretreatment program, including compliance with debt service requirements and applicable laws and regulations and accountability to regulatory authorities.

**NOTE M - RISK MANAGEMENT**

The Town is exposed to various risks of loss and, accordingly, maintains insurance coverage for each of those risks. The Town pays insurance premiums to cover risks that may occur in the normal course of operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the period in accordance with insurance policy limits except for deductibles. The Town also pays premiums to the South Carolina State Retirement System for the Claims of covered employees for long-term disability and group-life benefits. The Town pays premiums for employee health, dental and life insurance coverage and for worker's compensation insurance coverage. The Town also maintains employee fidelity bond insurance coverage to certain employees for potential losses arising from theft or misappropriation.

**NOTE N - CONTINGENCIES**

**Grant Programs**

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**Litigation and Other Related Matters**

The Town is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, in the opinion of the Town's Attorney, the resolution of these proceedings will not have a material adverse effect on the financial condition of the Town.

The Town has been the subject of investigation by law enforcement authorities. A suspended Town official has pleaded guilty to charges of misappropriation of Town assets. The full extent of the charges and misappropriation amounts has not been fully disclosed to the Town by the authorities. However, management does not believe that they will have a material effect on the Town's financial statements for the year ended June 30, 2017 as presented.

**NOTE O - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 11, 2019, which is the date the financial statements were available to be issued, and concluded that there were no significant events requiring additional recording or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY  
TOWN OF ALLENDALE  
June 30, 2017**

	SCRS			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Percentage of total net pension liability	0.006194%	0.006194%	0.008093%	0.008320%
Proportion share of net pension liability	\$ 1,668,110	\$ 1,323,029	\$ 1,534,876	\$ 1,432,428
Covered payroll	\$ 792,888	\$ 792,888	\$ 758,855	\$ 755,305
Proportion share of net pension liability as a percentage of covered payroll	210.38%	166.86%	202.26%	189.65%
Plan's fiduciary net position as a percentage of total pension liability	52.90%	52.90%	57.00%	59.90%
	PORS			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Percentage of total net pension liability	0.026000%	0.026000%	0.026000%	0.026540%
Proportion share of net pension liability	\$ 749,900	\$ 521,778	\$ 566,691	\$ 508,127
Covered payroll	\$ 352,502	\$ 352,502	\$ 322,120	\$ 319,232
Proportion share of net pension liability as a percentage of covered payroll	212.74%	148.02%	175.93%	159.17%
Plan's fiduciary net position as a percentage of total pension liability	64.60%	64.60%	64.60%	67.50%

Note: the Town implemented GASB Statement 68 during fiscal year ended June 30, 2015 and, accordingly, data prior to June 30, 2014 is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TOWN OF ALLENDALE  
June 30, 2017**

	SCRS			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Statutorily required contributions	\$ 85,863	\$ 86,425	\$ 86,425	\$ 78,576
Contributions recognized by the plan	\$ 66,337	\$ 66,337	\$ 82,715	\$ 80,062
Covered employee payroll	\$ 792,888	\$ 792,888	\$ 758,855	\$ 755,305
Percentage of recognized contributions to covered employee payroll	8.37%	8.37%	10.90%	10.60%
	PORS			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Statutorily required contributions	\$ 52,392	\$ 47,588	\$ 47,588	\$ 43,096
Contributions recognized by the plan	\$ 36,034	\$ 36,034	\$ 43,196	\$ 40,989
Covered employee payroll	\$ 352,502	\$ 352,502	\$ 322,120	\$ 319,232
Percentage of recognized contributions to covered employee payroll	10.22%	10.22%	13.41%	12.84%

Note: the Town implemented GASB Statement 68 during fiscal year ended June 30, 2015 and, accordingly, data prior to June 30, 2014 is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (GAAP) AND  
ACTUAL  
GENERAL FUND  
TOWN OF ALLENDALE, SOUTH CAROLINA  
Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Property taxes	\$ 502,000	\$ 502,000	\$ 543,022	\$ 41,022
Lease revenue	10,000	10,000	43,992	33,992
Business licenses	53,000	53,000	57,743	4,743
Fines	40,000	40,000	78,099	38,099
Franchise fees	267,500	267,500	408,955	141,455
Zoning fees and building permits	5,000	5,000	14,968	9,968
	<u>877,500</u>	<u>877,500</u>	1,146,779	269,279
Federal sources				
Department of Justice (DOJ)	3,100	3,100	6,600	3,500
Department of Federal Emergency Management Agency (FEMA)	-	-	52,484	52,484
Department of Agriculture (USDA) settlement	-	-	(16,620)	(16,620)
	<u>3,100</u>	<u>3,100</u>	42,464	39,364
State sources				
Merchant inventory tax	9,000	9,000	9,933	933
Accommodations tax	67,750	67,750	141,624	73,874
Local option sales tax	279,000	279,000	289,296	10,296
Local government aid	101,400	101,400	102,227	827
	<u>457,150</u>	<u>457,150</u>	543,080	85,930
Other sources				
Interest income	2,000	2,000	52	(1,948)
Other	33,400	33,400	16,217	(17,183)
	<u>35,400</u>	<u>35,400</u>	16,269	(19,131)
<b>TOTAL REVENUES</b>	<b>1,373,150</b>	<b>1,373,150</b>	<b>1,748,592</b>	<b>375,442</b>
<b>Expenditures</b>				
Legislative				
Salaries-Mayor and Council	\$ 38,500	\$ 38,500	\$ 39,938	\$ (1,438)
Payroll taxes and benefits	5,200	5,200	19,568	(14,368)
Municipal Association dues	4,700	4,700	-	4,700
Seminars, conferences and travel	18,500	18,500	20,558	(2,058)
Other	4,500	4,500	7,730	(3,230)
	<u>71,400</u>	<u>71,400</u>	87,794	(16,394)
Judicial				
Salaries-Judge	44,000	44,000	53,351	(9,351)
Payroll taxes and benefits	5,250	5,250	25,126	(19,876)
Other	4,050	4,050	768	3,282
	<u>53,300</u>	<u>53,300</u>	79,245	(25,945)

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures--continued				
Administrative				
Salaries--administration	42,000	42,000	95,169	(53,169)
Payroll taxes and benefits	9,700	9,700	46,684	(36,984)
Office supplies and postage	1,700	1,700	134	1,566
Supplies	1,800	1,800	1,266	534
Uniforms	600	600	606	(6)
Dues and subscriptions	-	-	-	-
Vehicle operation and maintenance	-	-	-	-
Seminars, conferences and travel	2,700	2,700	491	2,209
Other	1,800	1,800	443	1,357
	<u>60,300</u>	<u>60,300</u>	<u>144,793</u>	<u>(84,493)</u>
Finance				
Salaries	32,000	32,000	101,175	(69,175)
Payroll taxes and benefits	5,200	5,200	50,724	(45,524)
Office supplies and postage	2,200	2,200	12,207	(10,007)
Maintenance--building and equipment	6,900	6,900	2,561	4,339
Dues and subscriptions	-	-	-	-
Advertising	100	100	178	(78)
Tax collection	34,000	34,000	21,998	12,002
Seminars, conferences and travel	2,000	2,000	145	1,855
Other	1,900	1,900	5,895	(3,995)
	<u>84,300</u>	<u>84,300</u>	<u>194,883</u>	<u>(110,583)</u>
Community development				
Salaries	62,000	62,000	18,491	43,509
Payroll taxes and benefits	12,300	12,300	11,309	991
Office supplies and postage	1,350	1,350	1,896	(546)
Dues and subscriptions	-	-	-	-
Advertising	200	200	575	(375)
Seminars, conferences and travel	2,000	2,000	788	1,212
Code abatement and zoning	500	500	-	500
Other	4,500	4,500	38,573	(34,073)
	<u>82,850</u>	<u>82,850</u>	<u>71,632</u>	<u>11,218</u>
Public works				
Salaries	49,000	49,000	-	49,000
Payroll taxes and benefits	10,500	10,500	-	10,500
Street lights	100,000	100,000	96,523	3,477
Supplies and uniforms	5,300	5,300	6,203	(903)
Equipment maintenance	6,000	6,000	7,166	(1,166)
	<u>170,800</u>	<u>170,800</u>	<u>109,892</u>	<u>60,908</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL--Continued**  
**GENERAL FUND**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures--continued				
Police				
Salaries	350,000	350,000	394,997	(44,997)
Payroll taxes and benefits	56,000	56,000	196,139	(140,139)
Vehicle operation and maintenance				
External service	66,300	66,300	43,946	22,354
Internal service	-	-	12,543	(12,543)
Dispatch services	-	-	81	(81)
Equipment maintenance	4,000	4,000	4,585	(585)
Supplies and uniforms	8,700	8,700	12,382	(3,682)
Advertising	250	250	716	(466)
Office supplies and postage	7,950	7,950	4,677	3,273
Pagers	9,000	9,000	16,072	(7,072)
Drug fund costs	700	700	1,000	(300)
Professional fees	7,500	7,500	2,335	5,165
Seminars, conferences and travel	4,000	4,000	179	3,821
Jury, court and jail costs	96,400	96,400	36,397	60,003
Other	9,200	9,200	10,715	(1,515)
	620,000	620,000	736,764	(116,764)
General government				
General insurance	76,200	76,200	38,242	37,958
Telephone	12,500	12,500	13,613	(1,113)
Utilities	35,000	35,000	32,616	2,384
Legal and audit fees	18,000	18,000	4,785	13,215
Fogging insecticide services	4,200	4,200	1,554	2,646
Recodification	1,800	1,800	-	1,800
Public elections	1,000	1,000	-	1,000
Community improvements	20,000	20,000	16,179	3,821
Local organizations	3,000	3,000	9,467	(6,467)
Allendale Fire Department	1,000	1,000	-	1,000
Animal Control	2,700	2,700	1,400	1,300
Parks, Recreation and Tourism	2,500	2,500	300	2,200
Other	11,900	11,900	17,972	(6,072)
	189,800	189,800	136,128	53,672

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL--Continued**  
**GENERAL FUND**  
**TOWN OF ALLENDALE, SOUTH CAROLINA**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures--continued				
Capital Outlays				
Finance	4,800	4,800	-	4,800
Community development	3,600	3,600	-	3,600
Public works	12,500	12,500	-	12,500
Police	67,000	67,000	20,663	46,337
General government	26,000	26,000	9,794	16,206
	<u>113,900</u>	<u>113,900</u>	<u>30,457</u>	<u>83,443</u>
Debt service payments				
Principal	-	-	60,750	(60,750)
Interest	-	-	6,556	(6,556)
	<u>-</u>	<u>-</u>	<u>67,306</u>	<u>(67,306)</u>
TOTAL EXPENDITURES	<u>1,446,650</u>	<u>1,446,650</u>	<u>1,658,894</u>	<u>(212,244)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(73,500)	(73,500)	89,698	163,198
Other financing sources				
Transfers-in (out)	-	-	160,504	160,504
Insurance recoveries	30,000	30,000	29,402	(598)
TOTAL OTHER FINANCING SOURCES	<u>30,000</u>	<u>30,000</u>	<u>189,906</u>	<u>159,906</u>
NET CHANGE IN FUND BALANCE	<u>\$ (43,500)</u>	<u>\$ (43,500)</u>	<u>279,604</u>	<u>\$ 323,104</u>
Fund balance at beginning of year			<u>953,481</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,233,085</u>	

**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
TOWN OF ALLENDALE, SOUTH CAROLINA  
June 30, 2017**

Court Fines and Assessments

Court fines and fees collected		
Fines collected	\$	24,788
Assessments		31,970
Surcharges		11,415
		68,173
Court fines due to State Treasurer's Office		
Municipal Conditional Discharge Fee		150
Municipal DUS DPS Pullout		2,317
Municipal DUI Assessment		18
Municipal DUI Surcharge		415
Municipal DUI DPS Pullout		155
DUI/DUAC Breathalyzer Test Conviction Fee		25
Municipal Drug Surcharge		1,682
Municipal Law Enforcement Surcharge		7,672
Municipal Criminal Justice Academy Surcharge		271
Other Assessments		26,034
		38,739
Court fines and fees retained by Town		25,918
Total dispositions		64,657
Court fines and fees retained for victims services	\$	3,516

Surcharges and Assessments Retained for Victims Services

Unexpended victim services funds at beginning of year		\$	16,200
Assessments collected and retained	\$	3,270	
Surcharges collected and retained		1,376	4,646
Expended for victims services			(1,959)
Unexpended victim services funds at end of year		\$	18,887

## COMPLIANCE SECTION

# Hamilton McKinney & Moss

Certified Public Accountants



Members:  
American Institute of Certified Public Accountants  
South Carolina Association of Certified Public Accountants

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AN OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Town Council  
Of the Town of Allendale, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Allendale, South Carolina, (Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 11, 2019.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses of significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs under the caption Finding #2017-1 Segregation of Duties to be a material weakness.:

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: Finding #2017-1 Segregation of Duties; Finding 2017-2 Preparation of Financial Statements; and Finding 2017-3 Capital Asset Ledgers.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not a objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2017-4 Disallowed Program Costs.

**Compliance and Other Matters--continued**

We wish to communicate to you that there are no known material uncorrected misstatements, individually or in aggregate, to the financial statements taken as a whole; the significant accounting policies are described in the notes to the financial statements; the financial statements include no significant accounting estimates other than those, if any, reflected in the financial statements; all audit adjustments proposed have been reviewed and accepted by management and have been reflected in the financial statements; we have no knowledge of management consulting with other independent auditors; and we encountered no disagreements nor substantial difficulties in dealing with management in performing and completing our audit, except for the inability to make inquiries of key personnel performing critical financial reporting functions during the period covered by our audit who are no longer employed by the Town. We must also point out that although a financial statement audit is a component of good governance, it cannot, however, be construed as a substitute for, nor a reduction in, the total overall due diligence responsibilities of those charged with governance.

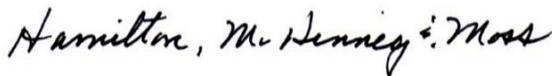
We also acknowledge to you that the Town has been the subject of investigation by law enforcement authorities. A suspended Town official has pleaded guilty to charges of misappropriation of Town assets. The full extent of the charges and misappropriation amounts has not been fully disclosed to the Town by the authorities. However, management does not believe that they will have a material effect on the Town's financial statements for the year ended June 30, 2017 as presented.

**Town's Responses to Findings**

The Town's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. These responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



January 11, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TOWN OF ALLENDALE  
June 30, 2017**

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Finding 2017-1 Segregation of Duties**

**Criteria or specific requirement:** Internal control, originally referred to as internal check, is defined throughout accounting and auditing literature as the process of assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws regulations and policies. It aims toward minimizing risks to an organization by directing, monitoring and measuring an organization's resources and are concerned with reliability of financial reporting, timely feedback on achievement of operational or strategic goals, and compliance with laws and regulations.

**Condition:** There is an absence of an absolute segregation of duties in the accounting process due primarily to an accounting department that lacks the size and resources to function in an ideal manner that could assist in reducing the likelihood of a material misstatement.

**Cause of condition:** It is virtually impossible or, in most cases as with the Town, cost prohibitive to have a perfect segregation of duties within the accounting process. The Town simply cannot justify the added costs implement an absolute separation of duties because it believes that cost far outweighs the perceived benefits.

**Potential effect of condition:** The lack of an absolute segregation of duties weakens the Town's internal control structure's ability to absolutely prevent and/or detect possible misstatements through second-party independent verification for safeguarding of assets and for potential material misstatement within the Town's financial statements.

**Recommendation:** We understand that the added costs of providing an absolute segregation of duties will, in most cases, out-weigh the projected benefits of the added controls, and therefore, may be considered unjustified. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. Those charged with the Town's governance are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as they consider necessary. Their response may very well entail acceptance and continuance of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** Absolute separation of duties is rarely, if ever, seen within small-to-medium-sized organizations simply because of the lack of a cost-benefit justification for the added segregation of duties. In the absence of absolute segregation of duties, we implore mitigating controls that reduce the likelihood of material misstatement. We believe that the added costs of providing an absolute segregation of duties will far out-weigh the projected benefits of the added controls, and therefore, consider it as unjustifiable.

**Finding 2017-2 Preparation of Financial Statements**

**Criteria or specific requirement:** The Town is obligated by the State of South Carolina and various other regulatory and funding agencies, as well as due diligence responsibilities to the general-public, to provide audited full-disclosure financial statements.

**Condition:** The Town management does not internally prepare its own full-disclosure financial statements that it makes available to regulatory agencies or funding agencies and the general-public at large

**Cause of Condition:** Like most small-to-medium sized organizations, the Town lacks the personnel with the accounting expertise and training such as that possessed by a certified public accountant or a chief financial officer of a large organization who customarily and regularly prepares full-disclosure financial statements.

**Potential effect of condition:** Consequently, the Town's management is unable to prepare full-disclosure year-end financial statements and they are dependent upon its dependent upon its external auditors to prepare these financial statements as part of their audit process. The Town calls upon its external auditors to identify commitments and contingencies, concentrations, subsequent events, compliance with grantor restrictions, compliance with debt covenants, related party transactions, fair values of financial instruments, or other events and conditions that are significant to the preparation of financial statements, including disclosures. This has been a customary practice for small organizations.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**TOWN OF ALLENDALE**  
**June 30, 2017**

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS--continued**

**Recommendation:** This is a customary and fully-acceptable practice and will continue to be so in the foreseeable future. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** We see no problem with this practice. It has worked well for us in the past and will continue to do so in the future. The primary goals and objectives of the Town of Allendale are not to produce full-disclosure financial statements; they are to provide government services to its constituents. Financial statements are a byproduct of its goals and objectives that communicate accomplished. This will continue to be done effective in the present and future in much the same manner as it has in the past.

**Finding 2017-3 Capital Asset Ledgers**

**Criteria or specific requirement:** Fixed-asset ledgers provide ready-available inventory and historical cost data for the assets that the Town owns along with provisions for depreciation (wear and tear) and accumulated depreciation, which is used by many organizations as a gage to fund reserves to replace these property and equipment assets over time.

**Condition:** The Town does not maintain fixed-asset (property and equipment) ledgers that appropriately itemize the capital assets acquired and owned by the Town. Such ledgers, customarily itemize the acquisition date, cost or adjusted basis, description and identification model and/or serial numbers, depreciation expense and accumulated depreciation.

**Cause of condition:** Like most small-to-medium sized organizations, the Town lacks both the software and personnel with the accounting expertise and training such as that possessed by a certified public accountant or a chief financial officer of a large organization who customarily and regularly deal with the recording of capital asset transactions.

**Potential effect of condition:** The Town's management makes final decisions regarding the recording of capital asset transactions, but it is dependent upon its external auditors to make recommendations regarding the recording of capital asset transactions and to update and maintain these fixed-asset ledgers for them as part of their audit process.

**Recommendation:** Our obligation as auditors is to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best-perceived alternative under the circumstances.

**Response of responsible Town official:** We see no problem with this practice. It has worked well for us in the past and will continue to do so in the future. This will continue to be effective in the present and future in much the same manner as it has in the past. We do not interpret this in the same manner as auditing standards and do not see it as a management control weakness.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**TOWN OF ALLENDALE**  
**June 30, 2017**

**FINDINGS RELATING TO INSTANCES OF NONCOMPLIANCE IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

**Finding 2017-4 DISALLOWED PROGRAM COSTS**

**Criteria or specific requirement:** Federal financial participation matching funds are available only for incurred program costs that are allowable under the program grant agreements.

**Condition:** The Town received federal matching funds under a United States Department of Agriculture Farmers Market Promotion Program grant. Subsequent to yearend, upon settlement of the grant closing, certain program costs claimed by the Town for federal financial participation under the grant agreement were disallowed as not conforming with costs allowable for reimbursement under the grant agreement.

**Cause of condition:** The Town incurred program costs for contract workers during the off season that were not covered by the grant agreement and costs for a trailer whose exclusive use for program purposes was not substantiated to the oversight satisfaction of the grantor.

**Potential effect of condition:** Subsequent to yearend, the Town's has been requested by the grantor ted to pay back \$17,120 in federal funds for disallowed costs claimed for federal financial participation.

**Recommendation:** We recommend that the Town comply with the payback request and recognize the effect of the payback liability within their financial statements for the year ended June 30, 2017.

**Response of responsible Town official:** The town paid back the \$17,120 settlement requested by the grantor subsequent to yearend and recognized the payback liability and the related reduction in grant revenue in its financial statements for the year ended June 30, 2017.