

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

*SANTEE-LYNCHES REGIONAL
DEVELOPMENT CORPORATION*

June 30, 2016

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June 30, 2016

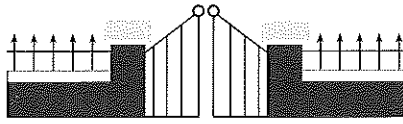
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Santee-Lynches Regional Development Corporation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santee-Lynches Regional Development Corporation (the "Corporation"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Corporation's 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.

AUDITORS' 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, each major fund, and the aggregate remaining fund information of Santee-Lynches Regional Development Corporation, as of June 30, 2016, and the respective changes in financial position 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 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Santee-Lynches Regional Development Corporation's basic financial statements. The statement of cash flows for the fiduciary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of cash flows for the fiduciary funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of cash flows for the fiduciary funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Columbia, South Carolina
December 20, 2016

The Hollar Group, P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

This discussion and analysis of the Santee-Lynches Regional Development Corporation's (the Corporation's) financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2016. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

Under the GASB 34 reporting requirements, there are two basic sets of financial statements in this report:

- ❖ the *government-wide statements* include the Statement of Net Position and the Statement of Activities found on pages 7 and 8 of the report, and
- ❖ the *governmental fund statements* include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances found on pages 9 and 10 of the report.

Government-wide Financial Statements

The Government-wide statements report information about the Corporation as a whole and are designed to provide the reader with a broad overview of the Corporation's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents a snapshot view of all of the assets the Corporation owns, the liabilities it owes, and the net difference. That net difference, called Net Position, is separated into three amounts- invested in capital assets, restricted, and unrestricted. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Corporation as a whole is improving or deteriorating.

The *Statement of Activities* presents an overview of the Corporation's expenses and revenues in a summarized format that assists the reader in determining the extent to which programs are self-supporting and/or subsidized by general revenues. The two general functions that are identified in this statement are:

- ❖ General government – comprised of administrative costs, and
- ❖ Economic development – comprised of the remaining programs and services of the Corporation.

Both of the government-wide financial statements reflect *governmental activities*. These are functions or activities of the Corporation that are primarily supported by grants and contracts with federal, state and local governments or agencies.

Governmental Fund Statements

Governmental Funds:

Currently there are two governmental funds – Neighborhood Initiative Program and the General Fund (unrestricted residuals from other funds or operations) – which are presented in their own columns.

The most significant difference between the two sets of statements, the Government-wide Financial Statements and the Governmental Fund Statements, is that the Governmental Funds Statements are

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

more closely related to the cash inflows and outflows of the Corporation. A reconciliation of the Net Change in Fund Balances for the Governmental Funds and the Change in Net Position for the Government-wide activities is provided on page 11 of the financial statements.

The financial statements also include a Statement of Fiduciary Assets and Liabilities, followed by notes to the financial statements that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other supplemental information, found on page 23 of the report, includes a Statement of Cash Flows regarding fiduciary funds administered by the Corporation.

Condensed Financial Information

The condensed financial information of the Corporation:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statement of Net Position		
Current Assets	\$ 44,505	\$ 25,776
Non-current Assets	406,675	0
	<u>451,180</u>	<u>25,776</u>
Total Assets	\$ 451,180	\$ 25,776
Current Liabilities	\$ 172,889	\$ 988
Non-current Liabilities	265,234	0
	<u>438,123</u>	<u>988</u>
Total Liabilities	438,123	988
Net Position	13,057	24,788
Total Liabilities and Net Position	<u>\$ 451,180</u>	<u>\$ 25,766</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statement of Revenues, Expenses, and Changes in Net Position		
Total Revenues	\$ 23,001	\$ 0
Total Expenses	34,732	4,783
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,731)</u>	<u>(4,783)</u>
Change in Net Position	(11,731)	(4,783)
Net Position, beginning of the year	<u>\$ 24,788</u>	<u>\$ 29,571</u>
Net Position, end of the year	<u>\$ 13,057</u>	<u>\$ 24,788</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

Current Assets of the Corporation consist entirely of cash and cash equivalents. The Corporation's cash position at June 30, 2016 was up 72% over the prior year because of cash on hand for the Neighborhood Initiative Program ("NIP"). Non-Current Assets consist of the value of land purchased and improved through the NIP. Because the NIP was a new program initiated this year, there were no comparable values in the prior year.

Current liabilities of the Corporation consist primarily of accounts payable for the NIP, amounts due to local government entities involved in the NIP that provided up front operating capital, real estate tax escrows and the current portion of long term debt on NIP properties. As a new program, the NIP has no comparable values in the prior year.

The Corporation's net position declined in 2016 by \$11,731 to \$13,057. This decrease is more than the prior year's decrease primarily because of the addition of the NIP.

Revenue, Expenses and Changes in Net Position: Both revenue and expenses increased in 2016 over the prior year because of the NIP. Properties obtained through the Neighborhood Initiative Program must be approved through the South Carolina Housing Corporation ("SCHC"). There are some up-front costs in the process, and in some cases the SCHC doesn't approve the properties for acquisition through this program. The Corporation received revenue from its partner entities – City of Sumter and City of Camden – to cover the costs that are not approved through NIP. The other increase in expenses for the Corporation was in administrative fees paid to Santee-Lynches Regional Council of Governments for the management of the NIP grants as well as general administration for the Corporation.

Financial Highlights

Management's discussion of the Corporation's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by fund:

1. The Neighborhood Initiative Program fund had cash of \$21,804 at year end. This included real estate tax escrow and amounts due to partner entities – the City of Sumter and City of Camden – for funds provided to the Corporation to facilitate closings on properties through NIP.
2. The General fund consists of accumulated cash of \$22,701 from operating loan programs in previous years. There are no residual/carry over restrictions from these previous loan programs on the use of these funds. The "Related Party Payable" is the amount due to Santee-Lynches Regional COG for contractual services at the end of June 2016. The Net Position of this fund declined by \$2,275 to \$22,513 for this reporting period. Currently, no new income is being generated by this fund; therefore, the net position/assets continue to decline as necessary expenses are incurred and paid by the fund. This fund has no outstanding debt.

Assets and liabilities of the Corporation increased dramatically in 2016 due to the addition of the Neighborhood Initiative Program. Through this program, the Corporation purchased 45 properties in 2016. As of June 30, 2016, it had loan balances on 35 of those properties. The loan balances are forgivable over a three-year period, as further explained in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

Currently Known Facts

Through the Neighborhood Initiative Program, the Corporation will purchase approximately 64 additional properties in the City of Sumter and 39 in Kershaw County. That will increase assets as well as increase liabilities due to the new loans that will be obtained for each property. As the loans payable to SCHC are forgiven, revenues will increase and liabilities will decrease.

Other than the circumstances/conditions mentioned above, management is not currently aware of any other significant fact, decision, or condition that may have a significant effect on the future financial position or future operations of the Corporation.

Requests for Information

This financial report is intended to provide an overview of the finances of the Corporation for those with an interest in this organization. Questions concerning any information within this report may be directed to the Deputy & Finance Director of the Santee-Lynches Regional Council of Governments.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 June 30, 2016

	<u>Total Governmental Funds</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 44,505
Total Current Assets	<u>44,505</u>
Noncurrent Assets	
Capital assets	<u>406,675</u>
TOTAL ASSETS	<u>\$ 451,180</u>
 LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 80,770
Related party payable	586
Due to other governments	51,999
Real estate tax escrow	2,480
Current portion of long term debt	37,054
Total Current Liabilities	<u>172,889</u>
Noncurrent liabilities	
Noncurrent portion of long term debt	<u>265,234</u>
Total Liabilities	<u>438,123</u>
Net Position	
Net investment in capital assets	104,387
Unrestricted	<u>(91,330)</u>
Total Net Position	<u>13,057</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 451,180</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 For the Year Ended June 30, 2016

	Program Revenue			Net (Expense) Revenue and Changes to Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				
General government	\$ 2,275			\$ (2,275)
Economic development	32,457	\$ 23,001		(9,456)
Total Governmental Activities	\$ 34,732	\$ 23,001	\$ 0	<u>(11,731)</u>
			Change in Net Position	(11,731)
			Net position at beginning of year	24,788
			Net Position at End of Year	<u>\$ 13,057</u>

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 June 30, 2016

	<u>General Fund</u>	<u>Neighborhood Initiative Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 22,701	\$ 21,804	\$ 44,505
TOTAL ASSETS	<u>\$ 22,701</u>	<u>\$ 21,804</u>	<u>\$ 44,505</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable		\$ 80,770	\$ 80,770
Related party payable	\$ 188	398	586
Due to other governments		51,999	51,999
Real estate tax escrow		2,480	2,480
Total Liabilities	<u>188</u>	<u>135,647</u>	<u>135,835</u>
Fund Balances			
Unassigned	22,513	(113,843)	(91,330)
Total Fund Balances	<u>22,513</u>	<u>(113,843)</u>	<u>(91,330)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,701</u>	<u>\$ 21,804</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of depreciation, are not current financial resources and, therefore, are not reported in the governmental funds. 406,675

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Long-term notes payable (302,288)

\$ 13,057

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Neighborhood Initiative Program</u>	<u>Total Governmental Funds</u>
Revenues			
Program revenue		\$ 23,001	\$ 23,001
Total Revenues	\$ 0	23,001	23,001
Expenditures			
Property search fees		23,001	23,001
Contractual services	1,188	8,750	9,938
Real estate tax		706	706
Miscellaneous fees and costs	1,087		1,087
Capital outlay		406,675	406,675
Total Expenses	<u>2,275</u>	<u>439,132</u>	<u>441,407</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,275)	(416,131)	(418,406)
Other Financing Sources (Uses)			
Proceeds from long-term debt issuance		302,288	302,288
Change in Fund Balances	(2,275)	(113,843)	(116,118)
Fund Balances at Beginning of Year	<u>24,788</u>	<u>0</u>	<u>24,788</u>
FUND BALANCES AT END OF YEAR	<u>\$ 22,513</u>	<u>\$ (113,843)</u>	<u>\$ (91,330)</u>

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (116,118)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:

Cost of capitalized assets 406,675

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Proceeds from debt issuance (302,288)

Change in Net Position of Governmental Activities \$ (11,731)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 June 30, 2016

	Agency Funds		Total
	Pinewood Development	Sumter County Projects	
ASSETS			
Restricted cash	\$ 1,921,192		\$ 1,921,192
Restricted property	169,080	\$ 340,090	509,170
TOTAL ASSETS	\$ 2,090,272	\$ 340,090	\$ 2,430,362
LIABILITIES			
Accounts payable	\$ 398		\$ 398
Due to outside agencies	2,089,874	\$ 340,090	2,429,964
TOTAL LIABILITIES	\$ 2,090,272	\$ 340,090	\$ 2,430,362

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
June 30, 2016

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Santee-Lynches Regional Development Corporation (the "Corporation") is a civic and social welfare organization which was incorporated in the State of South Carolina on April 15, 1983. The Corporation is registered under Internal Revenue Code (IRC) Section 501(c)(4) and the principal objective of the Corporation is to benefit the region by nurturing an increase in employment opportunities through the expansion of existing business and industry, the attraction of new business and industry and those activities directly related to tax based growth. A secondary purpose of the Corporation shall be to promote and assist in the development of residential housing in the jurisdictions served by the Corporation.

Summary of Significant Accounting Policies

Reporting Entity: The financial reporting entity consists of the Santee Lynches Regional Development Corporation and its fiduciary funds which are discussed below. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments) the Corporation is considered to be an independent reporting entity and has no component units. The financial statements of other units of local government would not be misleading or incomplete without the inclusion of the Corporation's financial statements.

Fiduciary funds are used to account for assets held by the Corporation in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The fiduciary funds are Pinewood Development and Sumter County Projects agency funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Presentation and Accounting: The accounts of the Corporation are organized on the basis of governmental funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Corporation's government-wide financial statements include a statement of net position and a statement of activities (including changes in net position). These statements present summaries of Governmental Activities for the Corporation.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Corporation's assets and liabilities, including capital assets and long-term debt, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE A -- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Corporation are reported as either charges for services, operating grants and contributions, or capital grants and contributions. Charges for services include revenues received for charges to recipients for goods or services provided by the program. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to net position presented in the government-wide financial statements. The Corporation has presented all major funds that met the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Corporation reports the following major governmental funds:

The General Fund is the Corporation’s primary operating fund. It accounts for all financial resources of the Corporation, except those required to be accounted for in another fund.

The Neighborhood Initiative Fund is used to account for funding from the South Carolina Housing Corporation to stabilize property values through the removal of blighted properties in strategically targeted areas in an effort to prevent future foreclosures for existing property owners.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE A -- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES --
Continued

Net Position and Fund Balances: In the government-wide financial statements, the difference between the Corporation's total assets and total liabilities represents net position. Net position is reported in the following three categories:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Result when constraints placed on the use of assets reduced by liabilities and deferred inflows of resources related to those assets are either externally imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of the net amount of the net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Corporation applies expenses that can be used both for restricted and unrestricted resources against restricted resources first.

The Corporation reports under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Corporation is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Corporation to classify and report amounts in the appropriate fund balance classifications. The Corporation's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding classification. Governmental funds are reported in the following classifications:

Nonspendable Fund Balance: Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance: Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE A -- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Committed Fund Balance: Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors, the Corporation's highest level of decision making authority. Those committed amounts cannot be used for any other purposes unless the Board of Directors removes the specified use by taking the same type of action imposing the commitment.

Assigned Fund Balance: Assigned fund balances are amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance: Unassigned fund balance is the residual classification for the general fund. This classification represents the general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Reconciliation of Government-Wide and Fund Financial Statement: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position – Following the governmental fund balance sheet is a reconciliation between *fund balances - total governmental funds and net position of governmental activities* as reported in the government-wide statement of net position. The details of these differences are explained in the above referenced financial statement.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities – Following the governmental fund statements of revenues, expenditures, and change in fund balances, there is a reconciliation between *net changes in fund balances – total governmental funds and change in net position of governmental activities* as reported in the government-wide statement of activities. The details of these differences are explained in the above referenced financial statement.

Cash and Cash Equivalents: Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

Use of Estimates: The preparation of the Corporation's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE A -- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Capital Assets: Capital assets, which include property and equipment, are reported in the in the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost greater than or equal to \$500 and have an estimated useful life in excess of three years. Management has elected to include certain homogenous asset categories with individual assets less than \$500 as composite groups for financial reporting purposes. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Neighborhood Initiative Program fund are not currently being depreciated as they are considered land and land improvements. All other capital assets are depreciated using the straight-line method over the following estimated useful life of the asset. Currently, the Corporation does not have any other capital assets.

Agency Funds: The agency funds consist of the Pinewood Development and Sumter County Project Funds. The Corporation holds two pieces of land to be used for future economic development. The first piece was purchased through the Sumter County Projects Fund and is located at the corner of Guignard and Highway 15 South in Sumter, South Carolina. 73.48 acres of land was purchased for \$6,000 per acre with funds from the Sumter County Special Projects Fund. Subsequent to the original purchase date the Corporation granted 16.8 acres of land for small business economic development. The Santee-Lynches Regional Council of Governments currently holds title to the property on behalf of the Corporation for tax exemption purposes. The Corporation retains control of the property on behalf of the Sumter County Projects Fund. In the event that the remaining land is sold or granted, the original purchase price of the land will be remitted to the Sumter County Special Projects Fund, with any excess to be remitted to the State.

The second piece was purchased by the Pinewood Development Authority with funds received from the State and is located in Rimini, South Carolina. The Corporation also performs as an agent over the Pinewood Development Authority's financial activities. The resources of the Pinewood Development Authority are held in a purely custodial capacity. The Pinewood Development Authority approved of a contingency grant during the year ended June 30, 2011, as more thoroughly discussed in Note F.

Income Taxes: The Corporation has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt Organization under Section 501(c) (4) of the Internal Revenue Code and is subject to federal income tax only on unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and to recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation and has concluded that as of June 30, 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for fiscal years prior to 2012. U.S. state jurisdictions have statutes of limitations that generally range from three to five years. Currently no audits for any tax periods are in progress.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE A -- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Subsequent events: Subsequent events have been evaluated through December 20, 2016 which represents the date financial statements were available to be issued.

NOTE B -- DEPOSITS AND CUSTODIAL RISK

Deposits: The Corporation's policies require that funds held by a bank or savings and loan association must secure deposits by deposit insurance or collateral securities to protect the Corporation against loss.

The amounts shown in the government-wide and fund financial statements as cash and cash equivalents represent cash on hand and cash on deposit with local financial institutions.

Restricted cash balance of \$1,921,192 is held for Pinewood Development in a purely custodial capacity and is reported in the fiduciary fund statements.

Custodial Credit Risk: Custodial credit risk for deposits is that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover collateral securities that are in possession of an outside party. The Corporation's policies state that deposits at financial institutions shall not exceed the limits of the Federal Deposit Insurance Corporation (FDIC) unless collateralized.

At June 30, 2016, the Corporation's deposits did not exceed the amount insured by the FDIC.

The deposits for the Pinewood Development Fiduciary Fund held by the Corporation at June 30, 2016 at local financial institutions were \$1,970,323 and were insured as follows:

Amount insured by FDIC	\$	395,627
Amount collateralized by Government Agency Securities		1,574,696
TOTAL	\$	<u>1,970,323</u>

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Corporation does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the Corporation is not exposed to this risk.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE C -- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land and improvements	\$ 0	\$ 406,675	\$ 0	\$ 406,675
Governmental Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 406,675</u>	<u>\$ 0</u>	<u>\$ 406,675</u>

Depreciation expense for the year ended June 30, 2016 was \$0.

NOTE D -- RELATED PARTY TRANSACTIONS

Santee-Lynches Regional Council of Governments: Santee-Lynches Regional Council of Governments (the "Council") was organized on August 6, 1970 under the laws of South Carolina to perform various functions and activities associated with the implementation and administration of the provisions and spirit of the Public Works and Economic Development Act of 1965, Public Law 89136, promulgated by the 89th Congress of the United States of America, and all subsequently enacted federal and state legislation related thereto.

The Council is comprised of Clarendon, Kershaw, Lee and Sumter Counties of South Carolina. The Council is governed by 29 representatives of the various counties and municipalities in the area. This Board is appointed and controls the operations and fiscal accountability of the Council. The Council is a separate reporting entity and is not a component unit of any other governmental activity.

The Council provides technical assistance to the various county and municipal governments who participate in the Council. The Council serves as an intermediary between the funding source and contract sub-recipients on many projects. The Council provides contract services to the local governments for obtaining and administering grants.

The Corporation has contracted with the Council to provide staff and supplies as well as technical assistance to its programs. The amount the Corporation paid the Council for services was \$12,471 in 2016. The Corporation owed \$586 as of June 30, 2016 for services provided.

NOTE E -- LONG-TERM DEBT

Long-term debt consists of mortgages and promissory notes payable to the South Carolina Housing Corporation ("SCHC") for the purchase and improvement of approved parcels of land in the City of Sumter and Camden.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE E -- LONG-TERM DEBT – Continued

At June 30, 2016 certain properties had been closed and a mortgage security agreement and promissory note was issued for a principal sum up to \$35,000, together with interest from the date of the agreement at the rate of 1% per annum. Unless otherwise indicated, the outstanding balance shall only be due and payable upon the occurrence of any sale, transfer or conveyance of the property covered in the agreement or failure to comply with the terms of the mortgage. At June 30, 2016, the following promissory notes were issued and carried balances with terms outlined above:

Note issued on November 20, 2015 for property located at 545 South Main Street	\$	6,793
Note issued on December 1, 2015 for property located at 1019 Truitt Street		5,371
Note issued on December 1, 2015 for property located at 19 Third Avenue		6,789
Note issued on December 1, 2015 for property located at 302 Hannah Street		7,050
Note issued on December 9, 2015 for property located at 627 South Sumter Street		6,879
Note issued on December 18, 2015 for property located at 607 South Sumter Street		7,050
Note issued on December 18, 2015 for property located at 132 Armstrong Boulevard		6,525
Note issued on January 4, 2016 for property located at 44 Wen-Le Court		7,250
Note issued on January 5, 2016 for property located at 166 Hoyt Street		7,550
Note issued on January 5, 2016 for property located at 168 Hoyt Street		6,042
Note issued on February 2, 2016 for property located at 451 Dogwood Drive		7,050
Note issued on February 3, 2016 for property located at 1022 South Main Street		7,083
Note issued on February 3, 2016 for property located at 612 South Harvin Street		7,049
Note issued on February 9, 2016 for property located at 19 Cleveland Street		4,852
Note issued on February 11, 2016 for property located at 103 Gates Street		7,049
Note issued on February 11, 2016 for property located at 105 Maney Street		7,049
Note issued on February 12, 2016 for property located at 118 Lawson Street		5,126
Note issued on April 8, 2016 for property located at 36 Gable Court		7,050
Note issued on April 8, 2016 for property located at 1380 Pepperidge Drive		7,050
Note issued on April 8, 2016 for property located at 46 Robinson Street		7,279
Note issued on April 8, 2016 for property located at 16 South Blanding Street		2,231
Note issued on April 8, 2016 for property located at 443 Loring Drive		7,145
Note issued on April 28, 2016 for property located at 200 Railroad Avenue		10,432
Note issued on April 28, 2016 for property located at 302 King Street		9,155
Note issued on April 28, 2016 for property located at 553 South Main Street		5,714
Note issued on May 18, 2016 for property located at 1716 Campbell Street		6,535
Note issued on May 20, 2016 for property located at 1719 Wylie Street		7,526
Note issued on May 20, 2016 for property located at 1733 Wylie Street		8,453
TOTAL	\$	<u>191,127</u>

As of June 30, 2016, there were ten additional properties that were closed on and a mortgage and security agreement was issued with the same terms as described above with no draws on, therefore, the balance of each note was \$0.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE E -- LONG-TERM DEBT – Continued

Interest on the above properties was calculated according to the terms of the promissory note, but was not recorded in the financial statements as these properties were modified with a 0% interest rate subsequent to year end.

Once a property has been fully revitalized and completed, SCHC issues a modified mortgage agreement which states the actual principal amount loaned to the Corporation and terms of the note which is amended to be effective as of the date of the agreement, bearing interest at the rate of 0% per annum, with no payments due as long as the property has not been sold or otherwise conveyed by the Borrower. The term of the mortgage is until the balance due on the note is paid in full if requirements are not met, or the date which is three years from the date of the mortgage agreement. The following properties were finalized and the original mortgage was modified to include the actual amount drawn on the note as of June 30, 2016:

Property located at 403/405 Loring Drive assigned and modified on March 31, 2016	\$ 16,179
Property located at 525 South Sumter Street assigned and modified on March 31, 2016	11,027
Property located at 427 Loring Drive assigned and modified on March 31, 2016	13,227
Property located at 421 Albert Drive assigned and modified on March 31, 2016	15,786
Property located at 33 Second Avenue assigned and modified on April 1, 2016	13,985
Property located at 18 Dew Street assigned and modified on April 7, 2016	22,725
Property located at 702 Broad Street assigned and modified on May 2, 2016	18,232
TOTAL	<u>\$ 111,161</u>

Per the terms of the Neighborhood Initiative Program implementation manual, the Mortgage and Security note is 0% interest for an amount up to \$35,000, forgivable over a three (3) year term at 33.33% per year as long as program requirements are met. The outstanding balance of the loan will be due and payable upon sale, transfer, or unauthorized use of the property. At final inspection of the property the note is modified to include the actual amount drawn on the note with all other terms remaining the same.

For financial reporting purposes, the forgiveness of the loan begins on the date that the final modified mortgage is issued. At June 30, 2016 there were seven properties with amended mortgage agreements issued totaling \$111,161. The remaining balance of \$191,127 are draws on the original mortgage and security agreement and will not be forgivable over the life of the loan until the note is modified upon final inspection. The forgiveness of the loans will be recognized as revenue over a three year period as follows:

For the Year Ended June 30,	
2017	\$ 37,054
2018	100,763
2019	100,763
2020	63,708
TOTAL	<u>\$ 302,288</u>

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION

NOTE E -- LONG-TERM DEBT – Continued

The following is a summary of the long term debt activity for the year ended June 30, 2016:

Long-term debt at July 1, 2015	\$	0
Initial draws on original mortgage		235,352
Final draws on amended mortgage		66,936
Long-term debt at June 30, 2016	\$	<u>302,288</u>

NOTE F -- PINWOOD DEVELOPMENT AUTHORITY GRANT AGREEMENT

On February 19, 2010, the Pinewood Development Authority (“Pinewood”) and Michael Baker d/b/a MLR Fluid Power, Inc (“MLR”) entered into an agreement for an Economic Development Incentive Grant in the amount of \$100,000. \$50,000 shall be a grant for the purpose of completing the up-fit of a building and to assist in the start up of MLR and \$50,000 shall be subject to conversion to a repayable loan. If MLR complies with the terms of the agreement the loan shall be self-liquidating over a five year period. The agreement requires the following:

1. Employment of five workers immediately
2. Hiring twelve additional workers within the first three years
3. At the conclusion of the fifth year, MLR must have and maintain an employment of twenty employees.

Failure to meet the terms and conditions will result in the termination of the self-liquidating schedule and will be converted into a loan instrument at prevailing market interest rates.

Compliance with the previously described terms and conditions and MLR not being sold, conveyed, leased or otherwise transferred within the five year period will result in the remaining \$50,000 principal to be forgiven on an annual basis on the anniversary date. MLR has not met the requirements as described above to have the loan forgiven. The grant agreement ended on February 19, 2016 and the outstanding balance of \$30,000 was deemed uncollectable and was written off for the year ended June 30, 2016.

SUPPLEMENTAL INFORMATION

STATEMENT OF CASH FLOWS - FIDUCIARY FUNDS
 SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION
 For the Year Ended June 30, 2016

	Pinewood Development Fund
Cash Flow From Operating Activities	
Cash payments for contract services	\$ (4,521)
Cash payments for bank charges	(984)
Receipt of property rental fees	5,565
Net Cash Provided By Operating Activities	<u>60</u>
Cash Flows From Investing Activities	
Interest income	2,694
Net Cash Provided By Investing Activities	<u>2,694</u>
	NET INCREASE IN CASH
	2,754
Cash at Beginning of Year	<u>1,918,438</u>
	CASH AT END OF YEAR
	<u>\$ 1,921,192</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (27,952)
Change in assets and liabilities:	
Decrease in restricted receivable	30,000
Decrease in accounts payable	<u>(1,988)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 60</u>

NOTE A -- The Sumter County Projects Fiduciary Fund was inactive during the year.