

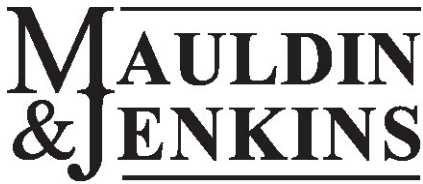
**SANTEE-LYNCHES REGIONAL  
DEVELOPMENT CORPORATION**

**FINANCIAL AND  
COMPLIANCE REPORT**

**JUNE 30, 2017**

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2017**

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
<b>FINANCIAL STATEMENTS</b>	
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS</i>	
STATEMENT OF NET POSITION	7
STATEMENT OF ACTIVITIES	8
<i>FUND FINANCIAL STATEMENTS</i>	
BALANCE SHEET - GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	10
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 18
<b>SUPPLEMENTARY INFORMATION</b>	
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS – FIDUCIARY FUNDS	19



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Santee-Lynches Regional Development Corporation  
Sumter, South Carolina

### **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 the Santee-Lynches Regional Development Corporation ("the Corporation") as of and for the year ended June 30, 2017, 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**

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 an opinion on these financial statements based on our audits. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 opinion.

### **Opinion**

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 the Corporation as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 6 be present 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 operation, 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 Santee-Lynches Regional Development Corporation basic financial statements. The schedule of cash receipts and distributions for the fiduciary fund 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 fund 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
January 11, 2018

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

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, 2017. 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 more closely related to the cash inflows and outflows of the Corporation. A Reconciliation of the Governmental Fund Balances to the Statement of Net Position for the Government-wide activities is provided on page 7 of the financial statements.

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

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 19 of the report, includes a Statement of Cash Flows regarding fiduciary funds administered by the Corporation.

**Condensed Financial Information**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Statement of Net Position</b>		
Current Assets	\$ 289,672	\$ 44,505
Non-current Assets	1,595,761	406,675
<b>Total Assets</b>	<u>1,885,433</u>	<u>451,180</u>
Current Liabilities	791,533	172,889
Non-current Liabilities	895,402	265,234
<b>Total Liabilities</b>	<u>1,686,935</u>	<u>438,123</u>
<b>Net Position</b>	198,498	13,057
Total Liabilities and Net Position	<u>\$ 1,885,433</u>	<u>\$ 451,180</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Statement of Activities</b>		
Operating Grants and Contributions	\$ 32,640	\$ 23,001
Debt Forgiveness	236,041	0
<b>Total Revenues</b>	<u>268,681</u>	<u>23,001</u>
General Admin	6,103	2,275
Economic Development Admin	77,137	32,457
<b>Total Expenses</b>	<u>83,240</u>	<u>34,732</u>
<b>Change in Net Position</b>	185,441	(11,731)
Net Position, beginning of the year	13,057	24,788
Net Position, end of the year	<u>\$ 198,498</u>	<u>\$ 13,057</u>

Current Assets of the Corporation consist entirely of cash and cash equivalents. The Corporation's cash position at June 30, 2017 was up 550% 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.

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

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.

The Corporation’s net position increased in 2017 by \$185,442 to \$198,499. This increase is primarily because of the continuation of the NIP.

Both revenues and expenses increased in 2017 over the prior year primarily due to NIP. This was the first year that the Corporation was able to recognize some debt forgiveness revenue on NIP properties that had entered the three-year lien period (explained in the notes to the financial statements). In addition, there are some up-front costs involved in the process of acquiring properties through NIP, and in some cases the South Carolina Housing Corporation (“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. Those administrative fees included reimbursement of audit fees paid, an expense the Corporation did not have in the prior year.

**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 \$272,746 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 and property improvement through NIP.
2. The General fund consists of accumulated cash of \$16,926 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 Net Position of this fund declined by \$6,102 to \$16,411 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 2017 due to the continuation of the Neighborhood Initiative Program. Through this program, the Corporation purchased an additional 91 properties in 2017, bringing the total to 136 properties. As of June 30, 2017, it had loan balances on 118 of those properties. In Kershaw County, one property was initially approved by SCHC and was purchased in May 2017, but was later disqualified for the NIP program. The loan balances are forgivable over a three-year period, as further explained in the notes to the financial statements.

**Currently Known Facts**

The Corporation purchased the final property through the Neighborhood Initiative Program in July 2017. In the City of Sumter, management expects for one property, purchased in June 2017 after initial SCHC approval, to be disqualified for NIP. As the loans payable to SCHC are forgiven, revenues will increase and liabilities will decrease.

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

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.



**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	<u>\$ 289,672</u>
Noncurrent Assets	
Land for Neighborhood Initiative Program	<u>1,595,761</u>
<b>Total assets</b>	<u><u>1,885,433</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	110,437
Related party payable	4,027
Due to other governments	341,809
Real estate tax escrow	6,096
Other liabilities	4,325
Current portion of long-term debt	<u>324,839</u>
<b>Total current liabilities</b>	<u>791,533</u>
Non-Current Liabilities	
Noncurrent portion of long-term debt	<u>895,402</u>
<b>Total liabilities</b>	<u><u>1,686,935</u></u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 198,498</u></u>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense Revenue and Changes to Net Position)
Governmental Activities					
General government	\$ 6,103	\$ -	\$ -	\$ -	\$ (6,103)
Economic development	77,137	-	32,640	-	(44,497)
<b>Total governmental activities</b>	<b>\$ 83,240</b>	<b>\$ -</b>	<b>\$ 32,640</b>	<b>\$ -</b>	<b>(50,600)</b>
General Revenues					
Debt forgiveness					236,041
<b>Change in net position</b>					<b>185,441</b>
<b>Net Position, beginning of the year</b>					<b>13,057</b>
<b>Net Position, end of year</b>					<b>\$ 198,498</b>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General Fund</u>	<u>Neighborhood Initiative Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 16,926</u>	<u>\$ 272,746</u>	<u>\$ 289,672</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	516	113,948	114,464
Due to other governments	-	341,809	341,809
Real estate tax escrow	-	6,096	6,096
Other current liability	-	4,325	4,325
<b>Total liabilities</b>	<u>516</u>	<u>466,178</u>	<u>466,694</u>
Fund Balances			
Unassigned	16,410	(193,432)	(177,022)
<b>Total fund balances</b>	<u>16,410</u>	<u>(193,432)</u>	<u>(177,022)</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 16,926</u>	 <u>\$ 272,746</u>	 <u>\$ 289,672</u>

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE STATEMENT  
OF NET POSITION  
YEAR ENDED JUNE 30, 2017**

Fund Balance of Governmental Funds	\$ (177,022)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Non-current Assets, are not current financial resources and are not included in the governmental funds	1,595,761
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	<u>(1,220,241)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 198,498</u>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	General Fund	Neighborhood Initiative Program	Total Governmental Funds
Revenues			
Program revenue	\$ -	\$ 32,640	\$ 32,640
Expenditures			
Fees and other cost	-	27,331	27,331
Contractual services	4,820	40,477	45,297
Real estate tax	-	9,329	9,329
Miscellaneous fees and costs	1,283	-	1,283
Capital outlay	-	1,189,086	1,189,086
<b>Total expenditures</b>	<b>6,103</b>	<b>1,266,223</b>	<b>1,272,326</b>
<b>Excess revenues over (under) expenditures</b>	<b>(6,103)</b>	<b>(1,233,583)</b>	<b>(1,239,686)</b>
Other Financing Sources (Uses)			
Proceeds from long-term debt issuance	-	1,153,994	1,153,994
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,153,994</b>	<b>1,153,994</b>
<b>Net change in fund balance</b>	<b>(6,103)</b>	<b>(79,589)</b>	<b>(85,692)</b>
Fund Balances at July 1, 2016	22,513	(113,843)	(91,330)
<b>Fund Balances at June 30, 2017</b>	<b>\$ 16,410</b>	<b>\$ (193,432)</b>	<b>\$ (177,022)</b>

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (85,692)
Amounts reported for governmental activities in the Statement of Activities differ 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 as non current assets. This activity is reconciled as follows:	
Cost of concurrent assets	1,189,086
Debt forgiveness revenues are not recognized by the governmental funds but are recorded in the statement of activities	236,041
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	(1,153,994)
<b>Change in Net Position of Governmental Activities:</b>	<b>\$ 185,441</b>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Agency Funds		Total
	Pinewood Development	Sumter County Projects	
<b>ASSETS</b>			
Restricted cash	\$ 1,921,410	\$ -	\$ 1,921,410
Restricted property	169,080	340,090	509,170
Total Assets	<u>2,090,490</u>	<u>340,090</u>	<u>2,430,580</u>
<b>LIABILITIES</b>			
Accounts payable	404	-	404
Due to outside agencies	2,090,086	340,090	2,430,176
Total Liabilities	<u>\$ 2,090,490</u>	<u>\$ 340,090</u>	<u>\$ 2,430,580</u>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 1. Description of Organization and Summary of Significant Accounting Policies**

The accounting and reporting policies of the Santee-Lynches Regional Development Corporation (Corporation) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more 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 the 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 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.

**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:** 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 statements:** The statement of net position and the statement of activities display information about the Corporation. These statements include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function, and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not program revenues are presented as general revenues. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund financial statements:** The fund financial statements provide information about the Corporation's funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds and aggregated non-major funds, each displayed in a separate column. The fiduciary funds are presented separately.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

The Corporation reports the following major governmental funds:

**General Fund:** The General Fund is the government'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 Program Fund (NIP):** The NIP fund is used to account for funding from the South Carolina Housing Corporation to stabilize property values through removal of blighted properties in strategically targeted areas in an effort to prevent future foreclosures for existing property owners.

The Corporation reports the following fiduciary fund type:

**Agency fund:** 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.

**Measurement focus and basis of accounting:**

**Government-wide and fiduciary fund financial statements:** The government-wide and fiduciary fund financial statements are reported using the economic resource measurement focus and the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Corporation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental fund financial statements:** Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary sources susceptible to accrual are investment income and grant revenue.

Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Payments of general long-term debt and acquisitions under capital leases are reported as other financing uses. Funds received but not yet earned are reflected as deferred revenues.

**Use of resources:** When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, and then unrestricted resources as they are needed.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

**Cash and cash equivalents:** The Corporation maintains cash and pooled investments that are available for use by all funds. Cash includes cash on hand, demand deposits, and short-term investments with an original maturity of three months or less to be cash equivalents.

**Accounts receivable:** Accounts receivable consists of amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Corporation's grants and contracts.

**Capital assets:** Capital assets, which include property and equipment, are reported 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. Currently, the Corporation does not have any capital assets.

**Non-exchange transactions:** The Corporation generally has two types of non-exchange transactions, government-mandated non-exchange transactions (which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose) and voluntary non-exchange transactions (which result from legislative or contractual agreements other than exchanges, entered into willingly by the parties to the agreement). The Corporation recognizes non-exchange transactions when they are both measurable and probable for collection. For government-mandated non-exchange transactions and voluntary non-exchange transactions, the Corporation recognized assets when all applicable eligibility requirements are met, or resources are received, whichever is first, and revenue when all applicable eligibility requirements are met.

**Net position/fund balances:** The Corporation's net position in the government-wide financial statements are classified as follows:

**Invested in capital assets, net of related debt:** This represents the Corporation's total investment in capital assets, net of accumulated depreciation.

**Restricted:** This category represents resources in which the Corporation is legally or contractually obligated by external parties such as lenders, grantors, contributors or by laws or regulations to spend in accordance with the restrictions imposed.

**Unrestricted:** Unrestricted net position consist of all other assets not included in the above categories.

The Corporation's policy for applying expenses that can use both restricted and unrestricted resources is designated to the program administrative level. General practice is to first apply the expense to the restricted resource then to unrestricted resources.

In the governmental fund financial statements, the Corporation's fund balances are classified as follows:

**Nonspendable fund balance:** Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**Restricted fund balance:** Represents amounts that are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) are imposed by law through constitutional provisions or enabling legislation.



**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

**Committed fund balance:** Represents amounts that can only be used by for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

**Assigned fund balance:** Amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned fund balance:** Represents the 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.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the Corporation’s general practice is to first reduce committed resources, followed by assigned resources, and then unassigned resources.

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

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

**Note 2. Cash and Cash Equivalents**

All cash and investments are stated at fair value. As of June 30, 2017, all of the Corporation’s cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Corporation’s agent in the Corporation’s name. 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.

At June 30, 2017, the carrying amount of the Corporation’s deposits held by the various funds was as follows:

The deposits for the Corporation at June 30, 2017, totaled \$295,498 and all amounts were fully insured by the FDIC at local financial institutions.

Restricted cash balance of \$1,921,410 is held for Pinewood Development in a purely custodial capacity and is reported in the fiduciary fund statements. The deposits for the Pinewood Development Fiduciary Fund held by the Corporation at June 30, 2017, were insured as follows:

Amount insured by the FDIC	\$ 345,961
Amount Collateralized by Government Agency Securities	<u>1,575,449</u>
<b>Total</b>	<b><u><u>\$ 1,921,410</u></u></b>

**Credit risk:** The Corporation adheres to the State of South Carolina’s investment policy, and invests in primarily Certificates of Deposit and U.S. Government-backed obligations. There are no investments in commercial paper or corporate bonds and equities.

**Interest rate risk:** In accordance with its investment policy, the Corporation manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION**  
**YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 2. Cash and Cash Equivalents (Continued)**

**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 require that funds held by a bank or savings and loan association must secure deposits by insurance, collateral securities, or letters of credit to protect the Corporation against loss.

**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 has no foreign currency investments and therefore, is not exposed to this risk.

**Concentration of credit risk:** The Corporation's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent (5%) when investments are needed.

**Note 3. Non-Current Assets**

Non-current asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land for Neighborhood Initiative	\$ 406,675	\$ 1,189,086	\$ -	\$ 1,595,761

**Note 4. Long-Term Liabilities**

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.

At June 30, 2017, 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, 2017, the following promissory notes were issued and carried balances with terms outlined above:

	Balance
25 properties in Camden, South Carolina	\$ 253,928
56 properties in Sumter, South Carolina	460,608
Total	<u>\$ 714,536</u>

As of June 30, 2017, there were nineteen 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.

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.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION**  
**YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 4. Long-Term Liabilities (Continued)**

Once a property has been fully revitalized and completed, SCHC issues a mortgage modification 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. Modification agreements issued after June 30, 2017, contained different wording from those issued and recorded up to that point. The original modification agreements amended the term of the mortgages to be three years from the date of the mortgage agreement. Modifications issued after June 30, 2017, amended the term of the mortgages to be three years from the date of filing the modification agreement. In either case, if requirements are not met, the term of the mortgage would be until the balance due on the note is paid in full. The following properties were finalized, and the original mortgage was modified to include the actual amount drawn on the note as of June 30, 2017:

	<u>Balance</u>
6 properties in Camden, South Carolina	<b>\$ 103,073</b>
31 properties in Sumter, South Carolina	<b>402,632</b>
Total	<b><u>\$ 505,705</u></b>

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, that begins as described above, 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 is not recorded until after the modification agreement has been filed. At that time, loan forgiveness periods are determined based on the language in the modification agreement. At June 30, 2017, there were thirty-seven properties with mortgage modification agreements issued totaling \$505,705. The remaining balance of \$714,536 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:

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

	<u>Balance</u>
2018	\$ 324,839
2019	485,427
2020	249,386
2021	160,589
Total	<b><u>\$ 1,220,241</u></b>

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

Long-term debt at July 1, 2016	\$ 302,288
Draws on Mortgage	1,153,994
Forgiveness of Debt	(236,041)
Long-term debt at June 30, 2017	<b><u>\$ 1,220,241</u></b>

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 5. 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 \$48,717 in 2017. The Corporation owed \$4,073 as of June 30, 2017, for services provided.

**Note 6. Subsequent Events**

Subsequent events have been evaluated through January 11, 2018, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements.

**SANTEE-LYNCHES REGIONAL DEVELOPMENT CORPORATION  
 SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2017**

	Pinewood Development Fund
<b>CASH RECEIPTS</b>	
Interest income	\$ 2,693
Property rental fees	4,025
<b>Total cash receipts</b>	<u>6,718</u>
<b>CASH DISBURSEMENTS</b>	
Contract services	(5,934)
Bank charges	(566)
<b>Total cash disbursements</b>	<u>(6,500)</u>
<b>Net change in cash</b>	218
Cash Balance at July 1, 2016	<u>1,921,192</u>
<b>Cash Balance at June 30, 2017</b>	<u>\$ 1,921,410</u>