



CITY OF WALTERBORO SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

MAYOR

WILLIAM T. YOUNG, JR

CITY COUNCIL

JAMES BRODERICK	TOM LOHR
JIMMY SYFRETT	JUDY BRIDGE
ROBERT BONDS	PAUL SIEGEL

CITY MANAGER

JEFF MOLINARI

DIRECTOR OF FINANCE AND ADMINISTRATION

WILLIAM FLOYD

PREPARED BY:
FINANCE DEPARTMENT

City of Walterboro, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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INTRODUCTORY SECTION



October 14, 2014

The Honorable Members of City Council and the Citizens of the City of Walterboro, South Carolina

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of City of Walterboro for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, City of Walterboro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Baird & Company, CPAs, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involves examining on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. City of Walterboro's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Walterboro was incorporated in 1826 and is located in Colleton County, South Carolina. It is 54 miles south of Charleston, South Carolina and 69 miles north of Savannah, Georgia on Interstate I-95 exits 53 and 57. At June 30, 2014, the City occupied a land area of 6.7 square miles and serves a population of approximately 5,311. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under the council manager form of government. Policy-making and legislative authority are vested in a governing council consisting of seven members. The governing council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The six Council members and mayor are each elected to four-year staggered terms, with three council members elected every two years.

The City provides a full range of services to its citizens including: public safety, public works, zoning and code enforcement, parks infrastructure, court services, economic development, tourism, and water and sewer infrastructure.

The annual budget serves as the foundation for the City's financial planning and control. All departments of City of Walterboro are required to submit requests for appropriations to the manager on or before the last day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. These requests are based upon the policy goals requested by the Council at an annual planning retreat. The City Manager then presents this proposed budget to the council for review prior to May 15th. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 52 as part of the required supplementary information for governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

According to the Bureau of Census, median household income was presented as approximately \$30,000. Walterboro's existing retail marketplace is approximately \$353 million (as extrapolated from business license returns). Major retailers such as WalMart, PetCo, Belk's, Rite-Aid, Bi-Lo, Radio Shack, Sears, Ace Hardware, Auto Zone, Walgreen's, CVS, and more than a dozen large hotels etc. have chosen to set up operations in Walterboro's vibrant local economy. The City has been able to minimize the effects of the current economic downturn by maintaining a conservative budget. Commercial construction activity almost ceased during 2008 - 2010 due to the lack of available credit. 2011 witnessed the construction of a new Bojangles' restaurant, Verizon retail store, a new O'Reilly Auto Parts store, and several major up-fits of existing buildings. 2012 witnessed the construction of a new Tractor Supply as well as 2013 bringing a Dunkin Donuts. Other proposed developments, primarily commercial, which have been postponed, are again under consideration. Economic development efforts in the past six years have created substantial commercial redevelopment of properties located at Exit 57 along I-95.

Long-term Financial Planning

One of the City's primary concerns is that the necessary planning and growth management tools are implemented to assure that the future cost of providing City services does not exceed the revenues generated from slow--but steady--growth. During the budget preparation process, capital needs are projected five years into the future, along with anticipated revenues and related operating expenditures. These projections are updated each year. The City's water and wastewater treatment resources continue to be a critical component of the City's ability to service its population and attract commercial development. Over the past few years, the City has been actively engaged in improving its sources and treatment of water. The City has completed one major wastewater infrastructure improvement project and is currently participating in a revitalization project. There was a five percent water and sewer rate increases made for 2014 with no increase to garbage rates. The City of Walterboro continues its efforts to provide quality wastewater treatment services to the citizens. No increase was made for 2015.

Relevant Accounting Policies

Internal Controls – Internal controls are procedures that are designed to protect assets from loss, theft, or misuse; to check the accuracy and reliability of accounting data; to promote operational efficiency; and to encourage compliance with managerial policies. The management of the City is responsible for establishing a system of internal controls designed to provide reasonable assurance these objectives are met.

Budgetary Controls – The City maintains budgetary controls which are designed to ensure compliance with legal provisions of the annual budget adopted by Council. It is the City's objective to conduct an open budget process providing for input from department administrators, top management, elected officials, and the public as the City's programs and services are determined for the next year.

The City adopted GASB Statement No. 45, "*Post Employment Benefits*" effective for fiscal year 2010. As of June 30, 2014, the City had \$836,583 in the GASB 45 Post Employment Benefits account. Also, GASB Statement No. 54, "*Fund Balance Reporting and Government Fund Type Definitions*" was adopted in the fiscal year 2011-2012 and accordingly, fund balances reflect the new types to be reported

Major Initiatives

The City of Walterboro began phase II of a 15-phase, I-95 Business Loop Streetscape project that upon completion, will total approximately \$12.65 million in improvements. The project will span the entire length of S. Jeffries Blvd/N. Jeffries Blvd/Bells Highway between I-95 exits 53 and 57. With completion of the public questionnaire, field inventory/assessment, public input meetings, and conceptual master plan recommendations, the objectives of the project are:

- Downtown Arborscape Improvements (substantially complete)
- Mast Arm Enhancements throughout the corridor
- Commercial Village Enhancements (S. Jeffries Blvd.)
- Street Lighting and Banners
- Intersection Enhancements
- Median and Bike Lane Enhancements
- Walterboro Wildlife Sanctuary Corridor Trail System Enhancements

The stated benefits are to reduce the amount of curbcuts/driveways, provide landscaped medians, enhance floral and ornamental landscaping using native and naturalized plants, reducing the speed limit, provide bicycle lanes, improve directional signage, tourism destination signage (i.e., festival, seasonal, etc.), supplement existing street lighting with decorative post lights, provide new/additional street lighting, and attract more visitors and tourists to the historic downtown of Walterboro.

During 2014, the City of Walterboro felt it was in the best interest of the citizens that a countywide unified 911 communications/dispatch center be created to manage and control E-911 dispatch systems and operations. The City upgraded to the 800 MHZ radio system and joined with Colleton County Sheriff's Office dispatch services with an upgraded dispatch console work station and 911 telephone position.

The City has also undertaken three revitalization projects financed primarily by grants at minimal cost to the City. These programs will enhance the quality of life for all of our citizens with major benefits to some of our lower income citizens.

These programs include:

- 1) \$698,590 for revitalization of the North Lemacks Street neighborhood
- 2) \$168,000 for revitalization of 16 properties in the Doodle Hill neighborhood
- 3) and \$702,504 for Public Safety improvements to the Doodle Hill neighborhood including demolition of uninhabitable dwellings, sidewalk improvements, minor exterior improvements and installation of Public Safety cameras.

The Doodle Hill Public Safety improvements were complete at the beginning of the 2014 fiscal year and the North Lemacks Street revitalization phase mentioned above was completed during 2014. An additional phase of the Lemacks Street project will begin in the new budget year.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

For 2012 and 2013, we received a "Certificate of Achievement for Excellence in Finance Reporting" award. A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to certificate of achievement program requirements, and we are submitting it to the GFOA again to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the cooperation of the department heads and staff of the City. Each of these individuals has our sincere appreciation for the contributions made in the preparation of this report.

Sincerely,


Jeffrey P. Molinari
City Manager


William B. Floyd
Director of Finance & Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

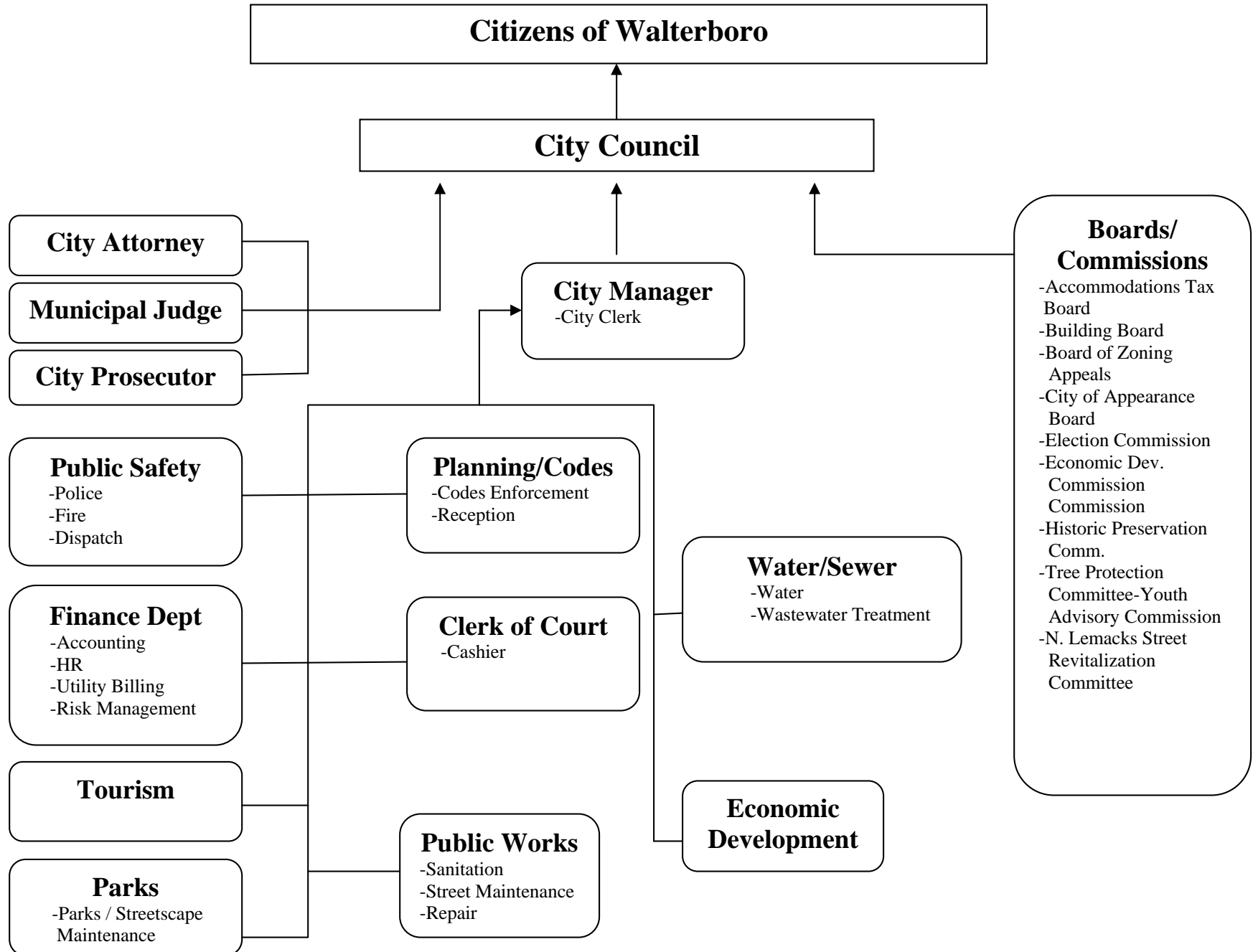
**City of Walterboro
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO
SOUTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014**

TITLE	NAME
Mayor.....	William T. Young, Jr.
Council Member.....	James Broderick
Council Member.....	Tom Lohr
Council Member.....	Jimmy Syfrett
Council Member.....	Judy Bridge
Council Member.....	Robert Bonds
Council Member.....	Paul Siegel
City Manager.....	Jeff Molinari
Director of Finance and Administration.....	William Floyd
City Attorney.....	George W. Cone
Utility Director.....	Wayne Crosby
Public Works Director.....	Charlie Chewning
Building Official & Code Enforcement.....	Angelo Pacilio
Planning & Codes Director.....	David B. Dodd
Economic Development Director.....	Vacant
Public Safety Director (Acting).....	Kenneth Dasen
Tourism Director.....	Donna Laird
Parks Director.....	Adam Davis

INDEPENDENT AUDITORS' REPORT

City of Walterboro Council
City of Walterboro, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina, as of June 30, 2014, 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 and budgetary comparison information on pages 10-18 and 52, and the schedule of funding progress on page 53 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 audits 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 City of Walterboro, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of revenues, expenses, and changes in net position – budget and actual, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of revenues, expenses, and changes in net position – budget and actual, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of revenues, expenses, and changes in net position – budget and actual, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of City of Walterboro, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Walterboro, South Carolina's internal control over financial reporting and compliance.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
October 14, 2014

FINANCIAL SECTION

City of Walterboro, South Carolina

Management's Discussion and Analysis

As management of City of Walterboro (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 to 5 of this report.

Financial Highlights

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$30,030,801 (net position). Of this amount, \$5,206,531 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's total net position increased by \$848,356.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$5,317,607, a decrease of \$432,705.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,178,285 or 55.0 percent of the total fund expenditures.
- The City had \$7,780,564 in notes and leases outstanding versus \$8,197,652 last year, a decrease of 5.1 percent. A capital lease for \$312,000 was issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, finance, public works, sanitation, emergency services, codes enforcement, courts, public safety, and parks, recreation and tourism. The business-type activities of the City include a water and sewer authority.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into these three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governments for which similar information is presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital project funds that are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds. Services provided to the general public for which customers are charged a fee are generally reported in Enterprise funds, which are proprietary funds. Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The City has one proprietary fund for water and sewer services, which is an enterprise fund. A budget is presented in the supplemental statements to monitor the performance of the water and sewer operations. Also included in the supplemental statements is a combining statement that reports the balances by City for the communities of Ruffin and Hendersonville. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The basic fiduciary fund financial statement can be found on pages 29-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-64 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City of Walterboro assets exceeded liabilities by \$30,030,081 at the close of the most recent fiscal year. The following table reflects the condensed governmental-wide statement of net position.

CITY OF WALTERBORO, SOUTH CAROLINA NET POSITION						
	Governmental Activities		Business -Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash and Other Assets	\$ 6,006,760	\$ 6,376,121	\$ 1,977,799	\$ 1,825,856	\$ 7,984,559	\$ 8,201,977
Capital Assets	9,549,968	8,654,103	21,469,362	21,631,596	31,019,330	30,285,699
Total Assets	15,556,728	15,030,224	23,447,161	23,457,452	39,003,889	38,487,676
Long-term Liabilities Outstanding	3,866,019	3,958,541	4,108,949	4,434,224	7,974,968	8,392,765
Other Liabilities	604,449	544,134	393,671	368,332	998,120	912,466
Total Liabilities	4,470,468	4,502,675	4,502,620	4,802,556	8,973,088	9,305,231
Net Position						
Investment in Capital Assets, Net of Related Debt	6,693,531	5,816,730	17,384,428	17,221,121	24,077,959	23,037,851
Restricted	529,392	432,882	216,919	218,746	746,311	651,628
Unrestricted	3,863,337	4,277,937	1,343,194	1,215,029	5,206,531	5,492,966
Total Net Position	\$ 11,086,260	\$ 10,527,549	\$ 18,944,541	\$ 18,654,896	\$ 30,030,801	\$ 29,182,445

At the end of the current fiscal year, City of Walterboro is able to report positive balances in all categories of net position.

By far the largest portion of the City's net position \$24,077,959 (80 percent) reflects its investment in capital assets (e.g. land, construction in progress, building and improvements, machinery and equipment, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the net position of \$746,311 represents restricted resources and are not available to fund other commitments. The largest portion \$424,681 of the restricted net position represent assets that have been assigned in the special revenue funds for tourism related expenses. The remaining restricted net position of \$216,919 relates to debt covenants in the proprietary fund, and special revenue funds of \$104,711 committed to promote tourism, housing, public safety, and projects of the City.

The balance of unrestricted net position \$5,206,531 (17 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

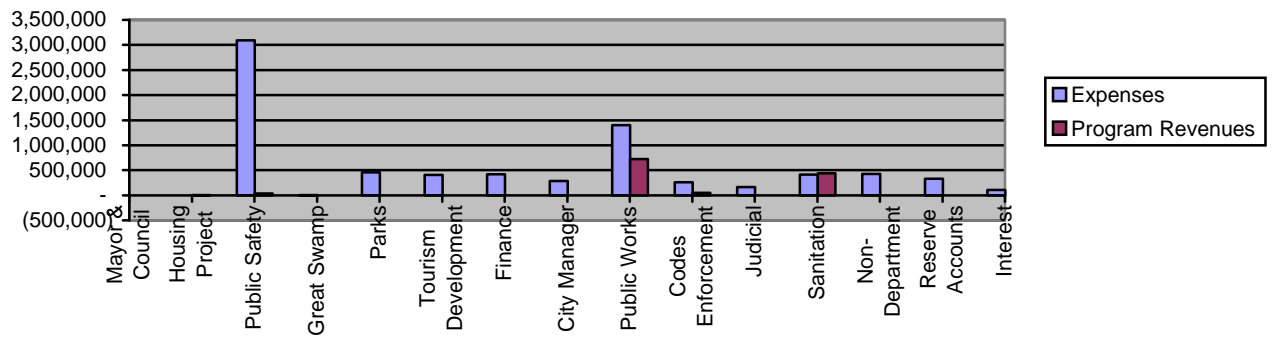
Governmental activities. Governmental activities increased the City's net position by a net of \$558,711. Key elements of this increase are as follows:

CITY OF WALTERBORO, SOUTH CAROLINA CHANGES IN NET POSITION

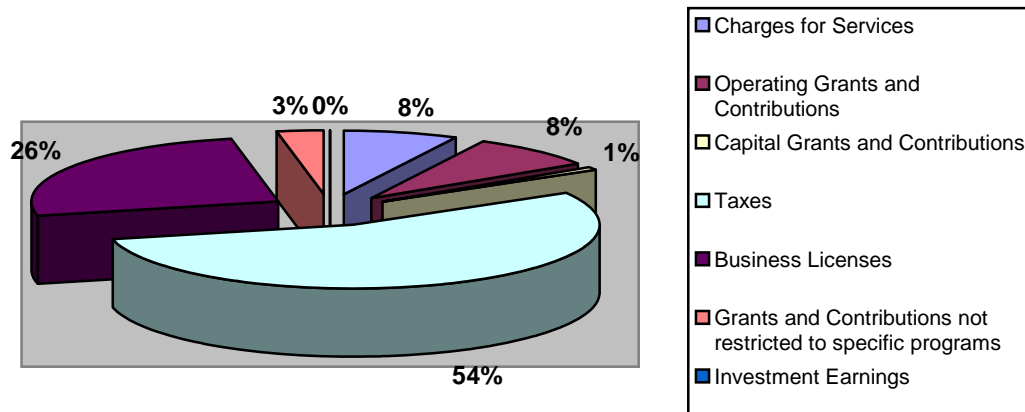
	Governmental Activities		Business -Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 616,257	\$ 628,855	\$ 3,299,644	\$ 3,162,783	\$ 3,915,901	\$ 3,791,638
Operating Grants and Contributions	65,940	538,107	-	-	65,940	538,107
Capital Grants and Contributions	1,018,140	594,727	-	344,926	1,018,140	939,653
General Revenues						
Taxes	3,800,206	3,220,022	-	-	3,800,206	3,220,022
Business Licenses	2,168,072	2,176,590	-	-	2,168,072	2,176,590
Grants and contributions not restricted to specific programs	237,122	200,927	-	-	237,122	200,927
Investment earnings	6,014	9,891	1,855	3,175	7,869	13,066
Total revenues	7,911,751	7,369,119	3,301,499	3,510,884	11,213,250	10,880,003
Expenses						
Mayor and Council	286,003	320,125	-	-	286,003	320,125
Housing Project	403	511	-	-	403	511
Public Safety	3,094,608	3,205,778	-	-	3,094,608	3,205,778
Economic Development	-	-	68,479	68,023	68,479	68,023
Great Swamp	3,425	1,878	-	-	3,425	1,878
Parks	456,795	422,118	-	-	456,795	422,118
Tourism Development	405,642	383,688	-	-	405,642	383,688
Finance	417,064	419,543	-	-	417,064	419,543
City Manager	286,797	205,092	-	-	286,797	205,092
Public Works	1,407,087	1,554,416	-	-	1,407,087	1,554,416
Codes Enforcement	259,744	247,971	-	-	259,744	247,971
Judicial	162,026	163,941	-	-	162,026	163,941
Sanitation	424,459	474,108	-	-	424,459	474,108
Non-Department Support	426,366	10,806	-	-	426,366	10,806
Reserve Accounts	330,136	283,912	-	-	330,136	283,912
Interest Expense	104,843	115,967	-	-	104,843	115,967
Water	-	-	1,273,512	1,293,359	1,273,512	1,293,359
Sewer	-	-	957,505	932,388	957,505	932,388
Total expenses	8,065,398	7,809,854	2,299,496	2,293,770	10,364,894	10,103,624
Change in net position before transfers	(153,647)	(440,735)	1,002,003	1,217,114	848,356	776,379
Transfers	712,358	1,333,255	(712,358)	(1,333,255)	-	-
Change in net assets	558,711	892,520	289,645	(116,141)	848,356	776,379
Net position – beginning	10,527,549	9,721,345	18,654,896	18,803,337	29,182,445	28,524,682
Prior period adjustment	-	(86,316)	-	(32,300)	-	(118,616)
Net position – ending	\$ 11,086,260	\$ 10,527,549	\$ 18,944,541	\$ 18,654,896	\$ 30,030,801	\$ 29,182,445

- Operating grants for governmental activities decreased mostly as a result of public safety department grants expiring.
- Operating transfers from the business-type activities decreased because of the grant funding of the N. Lemacks Renaissance Project.
- Capital grants for governmental activities increased \$421,311 due to a donation of land valued at \$175,500 and grants for park development of \$383,380.
- Increase in taxes is due to a millage increase from 79.5 mills in year 2013 to 88 mills in year 2014 because of capital improvements and debt payments.
- Grants and contributions not restricted were up because of a grant of \$50,000 and \$25,000 members' portion from the dissolution of the previous insurance carrier.
- The prior period adjustment is to write off bond issue costs per GASB-65.
- Overall increase in expenditures of the governmental activities relate to the supplemental appropriations of the county settlement for \$420,000 reported in non-department support expenditures and the transition relating to the city manager's position that is reported in city manager.

Expenses and Program Revenues – Governmental Activities



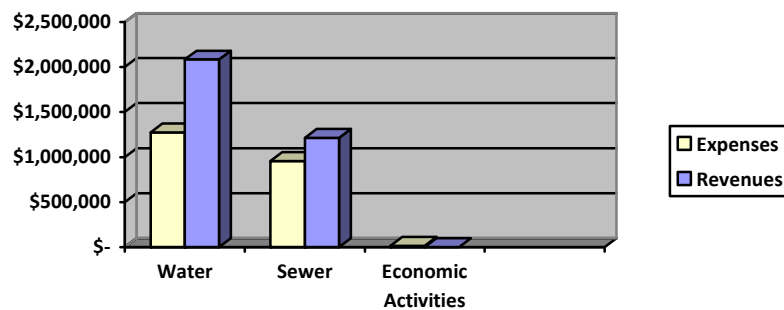
Revenues by Source – Governmental Activities



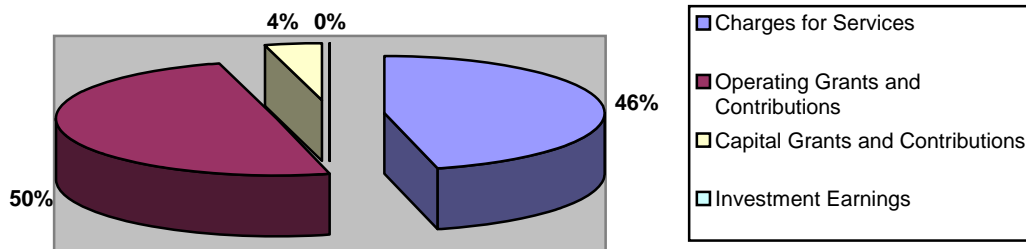
Business-type activities. Business-type activities increased the City's net position by \$289,645. The water and sewer activities account for the entire decrease. Key elements of this increase are as follows:

- Charges for services are up due to a 5% increase in water and sewer rates across the board.
- Expenses are down approximately \$50,000 because of the economic development employee vacancy.
- The transfer to the general fund decreased because of the transfer in of capital expenditures relating to the N. Lemacks Renaissance Project.
- Capital grants are down because grant funding is being account for in the grant fund and transferred to the business-type activities.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing City of Walterboro's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,317,607, a decrease of \$432,705 in comparison and a decrease of \$1,454,005 for the prior year. This decrease is mostly due to the supplemental appropriations for the \$420,000 county settlement and the \$50,000 related to the city manager's transition.

The fund balance of the City's general fund increased by \$1,398,252 during the current fiscal year compared to a \$167,397 decrease last year. Key factors of this increase relates to the transfer in of the assets reported in the equipment replacement fund.

The fund balance of the City's capital projects fund decreased by \$1,931,397 during the current fiscal year because of the transfer of the assets reported in the equipment replacement fund.

General Fund Budgetary Highlights

City Council has the authority to amend the budget as required. During the current fiscal year, City Council approved a supplemental appropriation of \$470,000 to come out of the fund balance that related the county settlement of \$420,000 and the transition of the city manager's position of \$50,000.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets as of June 30, 2014 amounts to \$31,019,330 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

Major capital asset events during the current year include the following:

- Completed improvements on parks \$99,532, Doodle Hill for \$174,057, N. Lemacks Phase II for \$501,834 and sewer for \$42,200.
- Began development on the Walterboro Wildlife Discovery Center for \$240,931.
- Continued progress on the I-95 Loop Project for \$313,996.
- Converted radio dispatch system and console for \$492,237.
- Various tractors, vehicles and other equipment for \$295,962.

	CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Land Improvements	\$ 1,257,063	\$ 1,257,063	\$ 44,773	\$ 44,773	\$ 1,301,836	\$ 1,301,836
Construction in progress	721,934	1,336,816	31,481	88,881	753,415	1,425,697
Buildings and Improvements	2,512,059	2,592,074	39,125	44,714	2,551,184	2,636,788
Machinery and Equipment	862,438	509,371	104,200	137,636	966,638	647,007
Vehicles	1,343,345	1,445,166	48,680	45,329	1,392,025	1,490,495
Infrastructure	2,853,129	1,513,613	21,201,103	21,270,263	24,054,232	22,783,876
Total	<u>\$ 9,549,968</u>	<u>\$ 8,654,103</u>	<u>\$ 21,469,362</u>	<u>\$ 21,631,596</u>	<u>\$ 31,019,330</u>	<u>\$ 30,285,699</u>

Additional information on the City's capital assets can be found in note 5 on page 39 of this report.

Long-term Obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of \$7,974,968 which includes \$194,404 of compensated absences. The City's total long-term debt decreased by a net of \$417,794. Changes in outstanding debt are summarized below.

State statutes limit the amount of general obligations debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$1,974,998 of which \$1,613,247 is outstanding.

Additional information on the City's long-term debt can be found in note 7 on page 42 of this report.

CITY OF WALTERBORO, SOUTH CAROLINA OUTSTANDING DEBT						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 1,613,247	\$ 1,737,298	\$ -	\$ -	\$ 1,613,247	\$ 1,737,298
Revenue Bonds	1,778,649	2,013,086	4,084,934	4,410,475	5,863,583	6,423,561
Capital Lease	303,734	36,793	-	-	303,734	36,793
Total	<u>\$ 3,695,630</u>	<u>\$ 3,787,177</u>	<u>\$ 4,084,934</u>	<u>\$ 4,410,475</u>	<u>\$ 7,780,564</u>	<u>\$ 8,197,652</u>

Economic Factors and Next Year's Budgets and Rates

- Total governmental revenues increased by \$442,346 or 5.5% compared to 2013, and finished \$331,363 over budget. The increase was mainly due to property taxes and local option sales tax.
- Fund balance finished \$1,398,252 over budget at \$4,178,285.
- While the national economy is tipping into recession, the City has experienced continued growth in the retail and accommodations sectors which has stabilized the local economy. Local accommodations taxes and local hospitality taxes remained flat.
- Property taxes increased by 12% primarily due to millage.
- The City's economic development department continued to receive inquiries regarding commercial space and development opportunities located within City limits, which indicates businesses are optimistic about continued economic growth in Walterboro.
- There were no significant budget variances in the current year's budget.

During the current fiscal year, the fund balance in the general fund increased by \$1,398,252. The City set millage for the 2014 budget year at 88.0 mills. Budgeted general fund expenditures for 2015 are projected to at \$7,034,797. This represents a decrease of \$289,475 compared to budgeted expenditures in 2014. Also, the City has budgeted \$3,431,844 in expenditures for the proprietary fund in 2015, an increase of \$29,894 compared to budgeted expenditures in 2014.

Requests for Information

This financial report is designed to provide a general overview of City of Walterboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administration, City of Walterboro, 248 Hampton Street, Walterboro, South Carolina, 29488.

BASIC FINANCIAL STATEMENTS

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 5,356,035	\$ 909,591	\$ 6,265,626
Receivables	632,728	665,186	1,297,914
Inventories	-	186,103	186,103
Notes Receivable	17,997	-	17,997
Restricted Cash	-	216,919	216,919
Capital Assets, being depreciated	7,570,971	21,393,108	28,964,079
Capital Assets, not being depreciated	1,978,997	76,254	2,055,251
Total Assets	<u>15,556,728</u>	<u>23,447,161</u>	<u>39,003,889</u>
LIABILITIES			
Accounts Payable	215,053	55,669	270,722
Salaries and Benefits Payable	133,951	19,992	153,943
Post Retirement Benefit Obligation	244,510	-	244,510
Interest Payable	10,935	7,342	18,277
Unearned Revenues	-	48,085	48,085
Customer Deposits	-	262,583	262,583
Noncurrent Liabilities:			
Due within one year	506,779	338,166	844,945
Due in more than one year	3,359,240	3,770,783	7,130,023
Total Liabilities	<u>4,470,468</u>	<u>4,502,620</u>	<u>8,973,088</u>
NET POSITION			
Unrestricted	3,863,337	1,343,194	5,206,531
Restricted:			
Debt Service Escrow	-	216,919	216,919
Tourism	424,681	-	424,681
Other	104,711	-	104,711
Net Investment in Capital Assets	6,693,531	17,384,428	24,077,959
Total Net Position	<u>\$ 11,086,260</u>	<u>\$ 18,944,541</u>	<u>\$ 30,030,801</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Mayor and Council	\$ 286,003	\$ -	\$ -	\$ -	\$ (286,003)	\$ -	\$ (286,003)
Housing Project	403	-	162	-	(241)	-	(241)
Public Safety	3,094,608	128,373	65,703	50,000	(2,850,532)	-	(2,850,532)
Great Swamp	3,425	-	-	-	(3,425)	-	(3,425)
Parks	456,795	-	-	240,931	(215,864)	-	(215,864)
Tourism Development	405,642	-	75	-	(405,567)	-	(405,567)
Finance	417,064	-	-	-	(417,064)	-	(417,064)
City Manager	286,797	-	-	-	(286,797)	-	(286,797)
Public Works	1,407,087	-	-	727,209	(679,878)	-	(679,878)
Codes Enforcement	259,744	50,925	-	-	(208,819)	-	(208,819)
Judicial	162,026	299	-	-	(161,727)	-	(161,727)
Sanitation	424,459	436,660	-	-	12,201	-	12,201
Non-Department Support	426,366	-	-	-	(426,366)	-	(426,366)
Reserve Accounts	330,136	-	-	-	(330,136)	-	(330,136)
Interest on long-term debt	104,843	-	-	-	(104,843)	-	(104,843)
Total Governmental Activities	<u>\$ 8,065,398</u>	<u>\$ 616,257</u>	<u>\$ 65,940</u>	<u>\$ 1,018,140</u>	<u>\$ (6,365,061)</u>	<u>\$ -</u>	<u>\$ (6,365,061)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-type Activities							
Water	\$ 1,273,512	\$ 2,083,265	\$ -	\$ -	\$ -	\$ 809,753	\$ 809,753
Sewer	957,505	1,216,379	-	-	-	258,874	258,874
Economic Development	68,479	-	-	-	-	(68,479)	(68,479)
Total Business-type Activities	<u>2,299,496</u>	<u>3,299,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,148</u>	<u>1,000,148</u>
Total Primary Government	<u>\$ 10,364,894</u>	<u>\$ 3,915,901</u>	<u>\$ 65,940</u>	<u>\$ 1,018,140</u>	<u>(6,365,061)</u>	<u>1,000,148</u>	<u>(5,364,913)</u>
General Revenues							
Property Taxes					1,640,963	-	1,640,963
Local Option Sales Taxes					1,271,526	-	1,271,526
Hospitality and Accommodations Taxes					887,717	-	887,717
Business Licenses					2,168,072	-	2,168,072
Grants and Contributions not restricted to specific programs					237,122	-	237,122
Investment Earnings					6,014	1,855	7,869
Transfers					712,358	(712,358)	-
Total General Revenues and Transfers					<u>6,923,772</u>	<u>(710,503)</u>	<u>6,213,269</u>
Change in Net Position					558,711	289,645	848,356
Net Position, Beginning					<u>10,527,549</u>	<u>18,654,896</u>	<u>29,182,445</u>
Net Position, Ending					<u>\$ 11,086,260</u>	<u>\$ 18,944,541</u>	<u>\$ 30,030,801</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 4,293,265	\$ 649,484	\$ 413,286	\$ 5,356,035
Receivables	446,020	50,500	136,208	632,728
Due from Other Funds	50,000	-	-	50,000
Notes Receivable	-	-	17,997	17,997
Total Assets	<u>\$ 4,789,285</u>	<u>\$ 699,984</u>	<u>\$ 567,491</u>	<u>\$ 6,056,760</u>
LIABILITIES				
Accounts Payable	\$ 154,897	\$ 31,082	\$ 29,074	\$ 215,053
Salaries and Benefits Payable	133,951	-	-	133,951
Post Retirement Benefit Obligation	244,510	-	-	244,510
Due to Other Funds		50,000		50,000
Total Liabilities	<u>533,358</u>	<u>81,082</u>	<u>29,074</u>	<u>643,514</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	77,642	-	-	77,642
Unavailable revenues-revolving loans	-	-	17,997	17,997
Total Deferred Inflows of Resources	<u>77,642</u>	<u>-</u>	<u>17,997</u>	<u>95,639</u>
FUND BALANCES				
Unassigned	4,178,285	-	-	4,178,285
Assigned	-	609,930	-	609,930
Restricted	-	8,972	95,739	104,711
Committed	-	-	424,681	424,681
Total Fund Balances	<u>4,178,285</u>	<u>618,902</u>	<u>520,420</u>	<u>5,317,607</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,789,285</u>	<u>\$ 699,984</u>	<u>\$ 567,491</u>	<u>\$ 6,056,760</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds	\$	5,317,607
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	\$	1,257,063	
Construction in Progress		721,934	
Buildings and Improvements, net of \$1,259,277 accumulated depreciation		2,512,059	
Machinery and Equipment, net of \$1,291,631 accumulated depreciation		862,438	
Vehicles, net of \$2,418,489 accumulated depreciation		1,343,345	
Infrastructure, net of \$172,144 accumulated depreciation		<u>2,853,129</u>	
Total Capital Assets			9,549,968

Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		95,639
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position. Balances at June 30, 2014 are:

Accrued Interest Payable	(10,935)	
Bonds Payable	(3,391,896)	
Capital Leases	(303,734)	
Accrued Compensated Absences	<u>(170,389)</u>	
Total Long-Term Liabilities		<u>(3,876,954)</u>

Total net position of governmental activities	\$	<u><u>11,086,260</u></u>
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CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,947,016	\$ -	\$ 851,423	\$ 3,798,439
Fines, Fees and Licenses	2,347,669	-	-	2,347,669
Intergovernmental	117,132	-	-	117,132
Solid Waste Charges	436,660	-	-	436,660
Miscellaneous	125,688	1,050,095	35,660	1,211,443
Total Revenues	<u>5,974,165</u>	<u>1,050,095</u>	<u>887,083</u>	<u>7,911,343</u>
EXPENDITURES				
Current				
Mayor and Council	285,505	-	-	285,505
Housing Project	-	-	403	403
Public Safety	2,823,199	30,628	19,268	2,873,095
Great Swamp	-	3,425	-	3,425
Parks	343,666	-	-	343,666
Tourism Development	131,703	-	275,076	406,779
Finance	412,476	-	-	412,476
City Manager	277,729	-	-	277,729
Public Works	1,193,081	61,105	-	1,254,186
Codes Enforcement	248,934	-	-	248,934
Judicial	160,529	-	-	160,529
Sanitation	334,599	-	-	334,599
Non-Department Support	426,366	-	-	426,366
Reserve Accounts	330,136	-	-	330,136
Capital Outlay				
Public Safety	254,975	362,336	-	617,311
Great Swamp	-	240,931	-	240,931
Parks	120,417	-	-	120,417
Sanitation	5,474	-	-	5,474
Public Works	31,836	483,598	-	515,434
Debt Service				
Principal	169,110	-	234,437	403,547
Interest	57,141	-	50,323	107,464
Total Expenditures	<u>7,606,876</u>	<u>1,182,023</u>	<u>579,507</u>	<u>9,368,406</u>
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	-	312,000	-	312,000
Transfers In	3,463,401	456,858	3,000	3,923,259
Transfers Out	(432,438)	(2,568,327)	(210,136)	(3,210,901)
Total Other Financing Sources (Uses)	<u>3,030,963</u>	<u>(1,799,469)</u>	<u>(207,136)</u>	<u>1,024,358</u>
Net Change in Fund Balances	1,398,252	(1,931,397)	100,440	(432,705)
Fund Balances, Beginning	2,780,033	2,550,299	419,980	5,750,312
Fund Balances, Ending	<u>\$ 4,178,285</u>	<u>\$ 618,902</u>	<u>\$ 520,420</u>	<u>\$ 5,317,607</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$	(432,705)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,499,567) exceeded depreciation (\$583,722) in the current period.		915,845
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an decrease in net position.		(19,980)
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Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.		(312,000)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		403,547
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		408
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ 975		
Accrued interest	2,621		
		3,596	

Total change in net position of governmental activities	\$	558,711
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CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities
	Enterprise Funds
	Water and Sewer
ASSETS	
Current Assets	
Cash	\$ 909,591
Receivables	665,186
Inventories	186,103
Total Current Assets	<u>1,760,880</u>
Noncurrent Assets	
Restricted Cash	216,919
Capital Assets - not being depreciated	76,254
Capital Assets - being depreciated	21,393,108
Total Noncurrent Assets	<u>21,686,281</u>
Total Assets	<u><u>\$ 23,447,161</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 55,669
Salaries and Benefits Payable	19,992
Interest Payable	7,342
Compensated Absences - current	5,000
Revenue Bonds Payable - current	333,166
Customer Deposits	262,583
Deferred Revenue	48,085
Total Current Liabilities	<u>731,837</u>
Noncurrent Liabilities	
Revenue Bonds Payable	3,751,768
Compensated Absences	19,015
Total Noncurrent Liabilities	<u>3,770,783</u>
Total Liabilities	<u>4,502,620</u>
NET POSITION	
Net Position	
Unrestricted	1,343,194
Restricted for Debt Escrow	216,919
Capital Assets, Net	17,384,428
Total Net Position	<u>18,944,541</u>
Total Liabilities and Net Position	<u><u>\$ 23,447,161</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities
	Enterprise Funds
	Water and Sewer
OPERATING REVENUES	
Charges for Services	
Water Sales	\$ 2,083,265
Sewer Charges	1,216,379
Total Operating Revenues	<u>3,299,644</u>
OPERATING EXPENSES	
Costs of Sales and Services	
Water	660,618
Sewer	604,860
Utility Support	116,003
Economic Development	68,479
Depreciation	723,489
Bad Debt Expense	28,478
Total Operating Expenses	<u>2,201,927</u>
Operating Income	<u>1,097,717</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	1,855
Interest Expense	(94,044)
Bank Charges	(3,525)
Total Nonoperating Revenues (Expenses)	<u>(95,714)</u>
Income Before Contributions and Transfers	1,002,003
Transfers In	612,472
Transfers Out	<u>(1,324,830)</u>
Change in Net Position	289,645
Net Position, Beginning	18,654,896
Net Position, Ending	<u><u>\$ 18,944,541</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities
	Enterprise Funds
	Water and Sewer
Cash Flows From Operating Activities	
Cash received from customers	\$ 3,225,187
Cash paid for operating goods and services	(1,266,466)
Cash paid to employees	(233,304)
Net Cash Provided (Used) by Operating Activities	<u>1,725,417</u>
Cash Flows From Noncapital Financing Activities	
Transfers between other funds	(799,001)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(799,001)</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(325,541)
Interest paid on capital debt	(98,771)
Acquisition and construction of capital assets	(561,255)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(985,567)</u>
Cash Flows From Investing Activities	
Interest received on investments	1,855
Net Cash Provided (Used) by Investing Activities	<u>1,855</u>
 NET INCREASE (DECREASE) IN CASH	 (57,296)
 CASH AT BEGINNING OF YEAR	 <u>1,183,806</u>
 CASH AT END OF YEAR	 <u><u>\$ 1,126,510</u></u>
 Reconciliation of Net Income (Loss) to Net	
Cash Provided (Used) by Operating Activities	
Operating income	\$ 1,097,717
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	723,489
(Increase) decrease in accounts receivable	(79,952)
(Increase) decrease in inventories	(42,644)
Increase (decrease) in accounts payable	19,601
Increase (decrease) in salaries and benefits payable	1,445
Increase (decrease) in annual leave	266
Increase (decrease) in customer deposits	5,495
Total adjustments	<u>627,700</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,725,417</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Post Retirement Fund	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash	\$ 836,583	\$ 26,965
Total Assets	<u>\$ 836,583</u>	<u>\$ 26,965</u>
	<hr/>	<hr/>
LIABILITIES		
Liabilities		
Due to Others	\$ -	\$ 26,965
Total Liabilities	<u>-</u>	<u>\$ 26,965</u>
	<hr/>	<hr/>
Net Position		
Held in trust for employee health benefits	836,583	
Total Net Position	<u>\$ 836,583</u>	
	<hr/>	

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Post Retirement Fund
Additions	
Employer Contributions	\$ 212,562
Investment Income (Loss)	22,184
Total Additons	<u>234,746</u>
Deductions	
Administrative Expense	<u>13,512</u>
Total Deductions	<u>13,512</u>
Change in Net Position	221,234
Net Position, Beginning of Year	<u>615,349</u>
Net Position, End of Year	<u><u>\$ 836,583</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The City of Walterboro, South Carolina (the “City”) is a political subdivision of the State of South Carolina, operating under the Council-Manager form of government to provide services authorized by its charter. It is governed by an elected Board (the “Council”), which is governed by state statutes and regulations. The City Council acts as the governing body of the City with power to pass ordinances and adopt resolutions. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Currently, the City does not report any component units within the financial statements.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital project funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following non-major funds:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees, and economic development.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer operations. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fund types.

The *post retirement fund* accounts for the activities of the retired employee's health benefits, which accumulates resources for payment of retirees' health insurance.

The *agency fund* accounts for municipal court fines collected for the State of South Carolina and for the firemen's one percent fund.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the presentation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within the first 60 days of the end of the current fiscal period, except for grant reimbursements for which the availability period is 90 days. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt for acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and issuances of debt) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents and deposits

The City considers cash and cash equivalents for cash flow purposes to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

Investments

Investments for the City are reported at fair value determined annually based upon quoted market prices.

Inventories and Prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the proprietary fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items,) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of two years), but only those infrastructure assets with an initial, individual cost of \$50,000 are reported as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings	50
Vehicles	20 to 50
Furniture and Equipment	5 to 50

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – three percent, February 1 – an additional seven percent, March 16 – an additional five percent. If not paid by October 1, the property is subject to sale by the delinquent tax office. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The property tax rate approved by ordinance for fiscal year 2014 is 88 mills.

Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Operating and Non-operating Revenues and Expenses

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

In accordance with the State of South Carolina General Statute, the City prepares an annual balanced budget ordinance. The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is not adopted as sufficient budgetary control is achieved through restrictions included in the various grant agreements.

In March, the budget process begins with a special comprehensive work session in which the finance department and city manager meet with all department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects, and initiatives to be considered in the upcoming budget and meet with finance department staff and the administrator individually. During May and June, formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

Budgets are prepared at the fund, function and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the City Manager delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. There was a supplemental appropriation of \$470,000 approved by City Council during the year.

Excess of expenditures over appropriations - Actual expenditures exceeded appropriations in the general fund (the legal level of budgetary control) by \$224,706. This over expenditure was funded by additional revenues of \$331,363.

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit Risk – The City has an investment policy that limits investment types to those approved by the South Carolina Code of Laws to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political subdivisions, certificates of deposit where the certificates are collaterally insured by securities described above held by a third party as escrow agent or custodian of a market value not less than the amount of the certificates of deposits so secured including interest, or repurchase agreements when collateralized by securities set forth above. Currently, the City's investments consist of deposits with the South Carolina Local Government Investment Pool (LGIP).

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The LIGP is considered to be a 2a7-like pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is managed by the Treasurer's Office of the State of South Carolina. The pool is not registered with the SEC as an investment company. The fair value of the balance in the LIGP represents the same value as the pool shares.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to short-term investments in the South Carolina Local Investment Pool.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial credit risk. As of June 30, 2014, the bank balances were \$6,705,159. All of the City's deposits at year end were covered by federal depository insurance or by collateral held in the pledging financial institution's trust department in the City's name. Therefore, none of the City's deposits were exposed to custodial credit risk at June 30, 2014.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

<u>Receivables</u>	<u>General</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Taxes	\$ 627,159	\$ -	\$ 134,188	\$ -	\$ 761,347
Fines and Fees	43,597	-	2,020	-	45,617
Intergovernmental	25,689	-	-	-	25,689
Accounts	-	-	-	776,073	776,073
Other	2,157	50,500	-	12,172	64,829
Gross receivables	698,602	50,500	136,208	788,245	1,673,555
Allowance for uncollectible accounts	(252,582)	-	-	(123,059)	(375,641)
Net total receivables	<u>\$ 446,020</u>	<u>\$ 50,500</u>	<u>\$ 136,208</u>	<u>\$ 665,186</u>	<u>\$ 1,297,914</u>

The net amount of delinquent taxes receivable at June 30, 2014 is \$89,662, of that amount \$77,642 is not expected to be collected within 60 days. Also, \$17,997 of housing notes receivable is not expected to be collected within the next year and grant drawdowns not spent in the proprietary fund are on hand.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – RECEIVABLES (CONTINUED)

Notes Receivable

The City has notes receivable from various individuals for \$19,996 for funds received from several community development block grants. The terms of the note call for monthly payments until the loans are paid off. The City has recorded \$1,999 as an allowance for bad debts as these loans are not always collectible in full. The deferred balance of \$17,997 is to be recognized as the payments are collected.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,257,063	\$ -	\$ -	\$ 1,257,063
Construction in progress	<u>1,336,816</u>	<u>828,516</u>	<u>1,443,398</u>	<u>721,934</u>
Total capital assets, not being depreciated	<u>2,593,879</u>	<u>828,516</u>	<u>1,443,398</u>	<u>1,978,997</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,771,336	-	-	3,771,336
Machinery and equipment	1,763,101	519,777	128,809	2,154,069
Vehicles	4,110,957	151,274	500,397	3,761,834
Infrastructure	<u>1,581,875</u>	<u>1,443,398</u>	<u>-</u>	<u>3,025,273</u>
Total capital assets being depreciated	<u>11,227,269</u>	<u>2,114,449</u>	<u>629,206</u>	<u>12,712,512</u>
Less accumulated depreciation for:				
Buildings and improvements	1,179,262	80,015	-	1,259,277
Machinery and equipment	1,253,730	158,198	120,297	1,291,631
Vehicles	2,665,791	241,627	488,929	2,418,489
Infrastructure	<u>68,262</u>	<u>103,882</u>	<u>-</u>	<u>172,144</u>
Total accumulated depreciation	<u>5,167,045</u>	<u>583,722</u>	<u>609,226</u>	<u>5,141,541</u>
Total capital assets being depreciated, net	<u>6,060,224</u>	<u>1,530,727</u>	<u>19,980</u>	<u>7,570,971</u>
Governmental activity capital assets, net	<u>\$ 8,654,103</u>	<u>\$ 2,359,243</u>	<u>\$ 1,463,378</u>	<u>\$ 9,549,968</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS (CONTINUED)

<u>Business-Type</u>	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Construction in progress	88,881	501,834	559,234	31,481
Total capital assets, not being depreciated	<u>133,654</u>	<u>501,834</u>	<u>559,234</u>	<u>76,254</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	15,311,974	559,234	-	15,871,208
Sewer system and improvements	15,605,097	42,274	-	15,647,371
Buildings and improvements	223,569	-	-	223,569
Machinery and equipment	681,904	-	-	681,904
Vehicles	297,890	17,147	27,260	287,777
Total capital assets being depreciated	<u>32,120,434</u>	<u>618,655</u>	<u>27,260</u>	<u>32,711,829</u>
Less accumulated depreciation for:				
Water system and improvements	4,243,577	330,229	-	4,573,806
Sewer system and improvements	5,403,231	340,439	-	5,743,670
Buildings and improvements	178,855	5,589	-	184,444
Machinery and equipment	544,268	33,436	-	577,704
Vehicles	252,561	13,796	27,260	239,097
Total accumulated depreciation	<u>10,622,492</u>	<u>723,489</u>	<u>27,260</u>	<u>11,318,721</u>
Total capital assets being depreciated, net	<u>21,497,942</u>	<u>(104,834)</u>	<u>-</u>	<u>21,393,108</u>
Business-type activity capital assets, net	<u>\$ 21,631,596</u>	<u>\$ 397,000</u>	<u>\$ 559,234</u>	<u>\$ 21,469,362</u>

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

Governmental Activities

City Manager	\$ 8,002
Finance	1,399
Mayor and Council	498
Public Safety	220,726
Public Works	145,392
Planning and Codes	9,254
Sanitation	76,231
Parks, Recreation and Tourism	122,220
Total depreciation expense - governmental activities	<u>\$ 583,722</u>

Business-Type Activities

Water	\$ 352,645
Sewer	370,844
Total depreciation expense - business-type activities	<u>\$ 723,489</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 50,000
Total		<u>\$ 50,000</u>

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

Interfund Transfers

<u>Transfer Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Water & Sewer</u>	
General Fund	\$ -	\$ 429,438	\$ 3,000	\$ -	\$ 432,438
Capital Projects	1,966,191	-	-	602,136	2,568,327
Water and Sewer Fund	1,297,410	27,420	-	-	1,324,830
Other Governmental Funds	199,800	-	-	10,336	210,136
Total transfers out	<u>\$ 3,463,401</u>	<u>\$ 456,858</u>	<u>\$ 3,000</u>	<u>\$ 612,472</u>	<u>\$ 4,535,731</u>

Transfers are used to (1) move revenues from the water and sewer fund and nonmajor funds to the general fund as provided in the budget, (2) move completed projects from the nonmajor projects fund to the water and sewer fund, (3) move amounts earmarked for future equipment replacement from the nonmajor equipment replacement fund.

Interfund balances must generally be eliminated in the government-wide financial statements, except for the net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. No amounts were reported in the government-wide financial statements, as the amount did not involve the transfers of financial resources.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

Governmental Activities	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within A Year
Bonds Payable:					
General obligation	\$ 1,737,298	\$ -	\$ 124,051	\$ 1,613,247	\$ 154,760
Tax increment financing debt	1,063,282	-	123,826	939,456	127,134
Revenue bond	<u>949,804</u>	<u>-</u>	<u>110,611</u>	<u>839,193</u>	<u>113,566</u>
Total bonds	3,750,384	-	358,488	3,391,896	395,460
Capital lease	36,793	312,000	45,059	303,734	86,319
Compensated absences	<u>171,364</u>	<u>119,888</u>	<u>120,863</u>	<u>170,389</u>	<u>25,000</u>
Total	<u>\$ 3,958,541</u>	<u>\$ 431,888</u>	<u>\$ 524,410</u>	<u>\$ 3,866,019</u>	<u>\$ 506,779</u>

Business-Type Activities	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within A Year
Bonds Payable:					
Revenue bonds	\$ 4,410,475	\$ -	\$ 325,541	\$ 4,084,934	\$ 333,166
Compensated absences	<u>23,749</u>	<u>15,965</u>	<u>15,699</u>	<u>24,015</u>	<u>5,000</u>
Total	<u>\$ 4,434,224</u>	<u>\$ 15,965</u>	<u>\$ 341,240</u>	<u>\$ 4,108,949</u>	<u>\$ 338,166</u>

The government issued revenue bonds to finance various water and sewer expansion projects. The revenue from both water and sewer are pledged.

Long-term debt payable at June 30, 2014 is comprised of the following issues:

Capital Leases

The City entered into leasing agreements for the purchase of a fire truck and radios. These lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Fire truck and radios	\$ 552,099
Less accumulated depreciation	<u>(126,908)</u>
Net book value	<u>\$ 425,191</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2015	\$ 91,057
2016	75,851
2017	75,851
2018	75,851
Total	318,610
Less amount representing interest	(14,876)
Present value of minimum lease payments	<u>\$ 303,734</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and large equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds were issued for 15 years in annual installments plus interest ranging from 2.20% to 3.50%.

<u>Balance</u>
<u>\$ 1,613,247</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 154,760	\$ 50,898	\$ 205,658
2016	159,127	46,531	205,658
2017	163,623	42,034	205,657
2018	168,254	37,404	205,658
2019	173,021	32,636	205,657
2020-2024	547,692	101,717	649,409
2025-2026	246,770	12,992	259,762
Total	<u>\$ 1,613,247</u>	<u>\$ 324,212</u>	<u>\$ 1,937,459</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Balance

The City has issued a tax increment financing (TIF) revenue bond to pay for improvements in the district. The original amount of the bond was \$1,735,000 due in monthly installments of \$12,534 including interest at 2.64%.

\$ 939,456

Annual debt service requirements to maturity for the TIF bond are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 126,856	\$ 23,550	\$ 150,406
2016	130,246	20,160	150,406
2017	133,726	16,680	150,406
2018	137,300	13,106	150,406
2019	140,969	9,437	150,406
2020-2022	270,359	7,745	278,104
Total	<u>\$ 939,456</u>	<u>\$ 90,678</u>	<u>\$ 1,030,134</u>

Balance

The City has issued a revenue bond to complete construction of a local VA facility. Local hospitality tax revenues are pledged for the payment. The City does not own the facility. The original amount of the bond was \$1,560,000, with a balance of \$1,135,307 refinanced for \$1,145,000 payable in monthly installments of \$11,196 including interest at 2.64%.

\$ 839,193

Annual debt service requirements to maturity for the revenue bond are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 113,317	\$ 21,036	\$ 134,353
2016	116,345	18,008	134,353
2017	119,454	14,899	134,353
2018	122,646	11,707	134,353
2019	125,923	8,430	134,353
2020-2022	241,508	6,195	247,703
Total	<u>\$ 839,193</u>	<u>\$ 80,275</u>	<u>\$ 919,468</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

The City has entered into three separate revenue bonds for sewer line rehabilitation and water and sewer expansion as follows:

	<u>Balance</u>
\$3,459,914 Sewer Line Rehabilitation Bond Series 2011B, due in quarterly payments of \$17,833 at 2.98% interest through April 2022.	\$ 1,493,367
\$378,153 Series 2011A, due in quarterly installments of \$2,080 at 2.04% through May 2016.	46,878
\$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% through December 2030.	<u>2,544,689</u>
	<u>\$ 4,084,934</u>

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 333,166	\$ 87,624	\$ 420,790
2016	338,921	79,789	418,710
2017	323,846	71,985	395,831
2018	331,657	64,174	395,831
2019	339,717	56,114	395,831
2020-2024	1,350,394	184,600	1,534,994
2025-2029	843,293	65,907	909,200
2030-2031	223,940	3,360	227,300
Total	<u>\$ 4,084,934</u>	<u>\$ 613,553</u>	<u>\$ 4,698,487</u>

Commitments Under Noncapitalized Leases – The City has operating leases on various small equipment. Amounts due are insignificant to the financial statements.

Compensated Absences

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. Upon proper resignation or termination for non-disciplinary reasons an employee shall be paid at their regular straight time rate for unused leave earnings up to a maximum of 144 hours plus one-half of current year unused accrual. The City has no financial liability for unused sick leave. Compensated absences are paid from the general fund and water and sewer fund. The liability for compensated absences at June 30, 2014 amounted to \$170,389 and \$24,015, respectively, for the governmental activities and business-type activities and includes 17% for employee benefits.

Other Post Employment Benefits

Plan Description – City employees who participated in the City's health insurance plan and who retire from City service in accordance with the South Carolina Retirement System may have their health insurance continued.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Post Employment Benefits (Continued)

Service Retirees and employees enrolled in the health plan on or before July 1, 2010, and meet at least one of the following criteria: (1) have at least 16 years of continuous service with the City and be a Mayor, Council Member, or Council Appointee; or (2) have at least 15 years of continuous service with the City and retire from PORS; or (3) have at least 18 years of continuous service with the City and retire from SCRS. Participants with less than 10 years of service with the City on July 1, 2010 may not receive benefits until they are at least age 60 regardless of age at retirement. Participants with at least 10 years of service with the City on July 1, 2010 receive benefits immediately upon retirement.

Funding policy – The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year ended June 30, 2014, the City contributed \$270,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	<u>\$ 294,314</u>
Annual OPEB cost (expense)	294,314
Health insurance premiums paid	(49,804)
Contributions made	<u>(212,562)</u>
decrease in net OPEB obligation	31,948
Net OPEB obligation-beginning of year	<u>212,562</u>
Net OPEB obligation-end of year	<u><u>\$ 244,510</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 269,874	90.5%	\$ 280,214
2013	269,874	100.0%	212,562
2014	294,314	100.0%	244,510

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2014 was as follows. The actuarial accrued liability for benefits was \$2,429,562 and the actuarial value of assets was \$836,583, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,592,979. The covered payroll (annual payroll of active employees covered by the plan) was \$2,396,744, and the ratio of the UAAL to the covered payroll was 66.46 percent.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Post Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The occurrences that must be considered include employee turnover, pay increases, disablement, retirement, deaths, and investment income on anticipated plan assets. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.1 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets is set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities value at 4.5 percent. The UAAL is being amortized on an open basis as a level percentage of projected payroll (assumed to increase at 4 percent) required to fully amortize the UAAL over a thirty year period.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	\$ 424,950	\$ 2,429,562	\$ 2,004,612	17.49%	\$ 2,622,778	76.43%
6/30/2013	615,349	2,429,562	1,814,213	25.33%	2,488,151	72.91%
6/30/2014	836,583	2,429,562	1,592,979	34.43%	2,396,744	66.46%

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – PENSION PLAN

Plan Description - All eligible City employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers Retirement System (PORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS) and are administered by the South Carolina Public Employee Benefit Authority (PEBA) Retirement Benefits. Retirement costs are funded by withholding from the employees' salaries, and by a contribution from the City of a percentage of the employees' salaries. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System may be obtained by writing to the PEBA, PO Box 11960, Columbia, South Carolina 29211.

Funding Policy

South Carolina Retirement System (SCRS)

The City is required to contribute 10.6 percent which includes 0.15 percent towards group life insurance. The City's contributions for the years ending June 30, 2014, 2013, and 2012 were \$217,989, \$224,031, and \$209,693, respectively, and were equal to the required contributions for each year.

Police Officers Retirement System (PORS)

The City is required to contribute 12.5 percent which includes 0.40 percent towards group life insurance and survivor and disability benefits. The City's contributions for the years ending June 30, 2014, 2013, and 2012 were \$183,022, \$186,525, and \$181,132 respectively, for SCPORS members and were equal to the required contributions for each year.

NOTE 9 – EMPLOYEE BENEFIT PLANS

401(K) Plan

City of Walterboro currently offers substantially all full-time employees the option of participating in a 401(K) plan. Great West Financial Services administers the plan. Under the terms of the plan employees may contribute a minimum of two percent and a maximum of twenty percent of adjusted gross income subject to the limits of Section 401(K) of the Internal Revenue Code. It is the opinion of the City's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Therefore, the assets and liabilities of the 401(K) plan are not reflected in the City's financial statements.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The City has several lawsuits against it. Most of this litigation is covered by insurance or settled through subsequent agreements. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Council the resolution of these matters will not have a material adverse effect on the financial condition of the City.

In the normal course of operations the City received grant funds from various federal and state agencies. These grant programs are subject to program compliance audits by grantors or representatives. The amount, if any, of liability for reimbursement which may arise from these audits cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various types of risk of loss and maintains elements of both self-insurance and purchased insurance policies divided into coverage of worker's compensation, property and casualty, and employee health insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits.

The State of South Carolina itself assumes substantially all risks for the following:

Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services),

Claims of covered public employees for long-term disability and group-life insurance benefits (Retirement System), and

Property and casualty insurance on buildings, equipment, and vehicles owned by the City as well as tort liability on City employees (South Carolina Insurance Reserve Fund).

The City participates in the South Carolina Municipal Association Workers' Compensation Pool, a public entity risk pool for its Workers Compensation coverage. Pool members are subject to a supplemental assessment in the event of deficiencies.

The City has recorded insurance premium expenditures in the applicable functional expenditure categories of the General Fund. These expenditures do not include estimated claim losses and estimable premium adjustments.

In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the City.

There have not been any reductions in insurance coverage from the prior year.

The amounts of settlements have not exceeded coverage in each of the past three fiscal years.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – NET POSITION

	Governmental Activities	Business-type Activities
<u>Net Investment in Capital Assets</u>		
Capital assets	\$ 9,549,968	\$ 21,469,362
Long-term debt	(3,866,019)	(4,108,949)
Add: Compensated absences included above	170,389	24,015
Debt on VA facility not owned by the City	839,193	-
Net Investment in Capital Assets	<u>\$ 6,693,531</u>	<u>\$ 17,384,428</u>

NOTE 13 – FUND BALANCE AND NET POSITION CLASSIFICATIONS

The following is a detail of the fund balance and net position classifications:

<u>Governmental Funds</u>	
<u>Committed</u>	
Funds committed by local ordinance for tourism related expenditures:	
Accommodations Tax	\$ 140,582
Hospitality Tax	284,099
Total Committed Fund Balance	<u>\$ 424,681</u>
<u>Restricted</u>	
State accommodations tax restricted by the state for tourism	\$ 66,405
Unspent grant funds restricted by the grant	8,972
Housing project funds restricted for low income housing projects	15,124
Victims witness funds restricted to expenditures to assist victims	14,210
Total Restricted Fund Balance	<u>\$ 104,711</u>
<u>Proprietary Fund</u>	
<u>Restricted</u>	
Funds restricted by bond ordinance for a debt service reserve	\$ 216,919
Total Restricted Net Assets	<u>\$ 216,919</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2014, the date the financial statements were issued, and determined that the following significant event has occurred:

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. To the extent practical, the financial statements presented for the periods affected should be restated. The City will be implementing GASB Statement No. 68 for the fiscal year ending June 30, 2015 and the beginning net position of the year ended June 30, 2014 will be restated. As of June 30, 2014, the South Carolina Public Employee Benefit Authority (PEBA) has estimated a net pension liability of \$7.4 million obligation that comprises \$4.5 million for SCRS and \$2.9 million for PORS, representing unfunded contributions to the South Carolina Retirement System's based on current funding policy, that will be reported as a liability in the financial statements of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			Variance
	Original	Final		Favorable
	Budget	Budget	Actual	(Unfavorable)
REVENUES				
Taxes	\$ 2,805,802	\$ 2,805,802	\$ 2,947,016	\$ 141,214
Fines, Fees and Licenses	2,246,000	2,246,000	2,347,669	101,669
Intergovernmental	100,000	100,000	117,132	17,132
Solid Waste Charges	441,000	441,000	436,660	(4,340)
Miscellaneous	50,000	50,000	125,688	75,688
Total Revenues	5,642,802	5,642,802	5,974,165	331,363
EXPENDITURES				
Current				
Mayor and Council	218,685	218,685	285,505	(66,820)
Public Safety	2,826,324	2,826,324	2,823,199	3,125
Parks	388,118	388,118	343,666	44,452
Tourism Development	133,626	133,626	131,703	1,923
Finance	428,332	428,332	412,476	15,856
City Manager	193,244	243,244	277,729	(34,485)
Public Works	1,103,933	1,103,933	1,193,081	(89,148)
Codes Enforcement	247,129	247,129	248,934	(1,805)
Judicial	154,780	154,780	160,529	(5,749)
Sanitation	369,151	369,151	334,599	34,552
Non-Department Support	7,700	427,700	426,366	1,334
Reserve Accounts	372,076	372,076	330,136	41,940
Capital Outlay				
Public Safety	179,400	179,400	254,975	(75,575)
Parks	20,369	20,369	120,417	(100,048)
Sanitation	-	-	5,474	(5,474)
Public Works	25,500	25,500	31,836	(6,336)
Debt Service				
Principal	166,803	166,803	169,110	(2,307)
Interest	57,000	57,000	57,141	(141)
Total Expenditures	6,892,170	7,362,170	7,606,876	(244,706)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,502,410	1,502,410	3,463,401	1,960,991
Transfers Out	(432,102)	(432,102)	(432,438)	(336)
Total Other Financing Sources (Uses)	1,070,308	1,070,308	3,030,963	1,960,655
Net Change in Fund Balances	(179,060)	(649,060)	1,398,252	2,047,312
Fund Balances, Beginning	2,780,033	2,780,033	2,780,033	-
Fund Balances, Ending	\$ 2,600,973	\$ 2,130,973	\$ 4,178,285	\$ 2,047,312

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE:

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. Appropriations lapse at the end of the year.

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
Primary Government						
6/30/2014	\$ 836,583	\$ 2,429,562	\$ 1,562,979	34.43%	\$ 2,396,744	66.46%
6/30/2013	615,349	2,429,562	1,814,213	25.33%	2,488,151	72.91%
6/30/2012	424,950	2,429,562	2,004,612	17.49%	2,622,778	76.43%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contribution	Actual Contribution	Net OPEB Liability	Percent Contributed
Primary Government				
2014	\$ 244,510	\$ -	\$ 244,510	0.00%
2013	212,562	212,562	-	100.00%
2012	243,560	243,560	-	100.00%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- Housing Project Accounts for transactions that are associated with a previous grant for housing.
- Police Fund Accounts for assets seized from drug related arrests. Funds designated for victims of crime and grants for police.
- Local Accommodation Tax Fund Accounts for revenues and expenditures that are restricted by ordinance.
- Local Hospitality Tax Fund Accounts for revenues and expenditures that are restricted by ordinance.
- State Accommodations Tax Accounts for revenues and expenditures that are restricted by State Law.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Housing Project Fund	Police Fund	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash	\$ 15,124	\$ 12,189	\$ 12,412	\$ 122,833	\$ 250,728	\$ 413,286
Receivables	-	2,021	83,067	17,749	33,371	136,208
Notes Receivable	17,997	-	-	-	-	17,997
Total Assets	<u>\$ 33,121</u>	<u>\$ 14,210</u>	<u>\$ 95,479</u>	<u>\$ 140,582</u>	<u>\$ 284,099</u>	<u>\$ 567,491</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ -	\$ -	\$ 29,074	\$ -	\$ -	\$ 29,074
Total Liabilities	<u>-</u>	<u>-</u>	<u>29,074</u>	<u>-</u>	<u>-</u>	<u>29,074</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues-revolving loans	17,997	-	-	-	-	17,997
Total Deferred Inflows of Resources	<u>17,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,997</u>
FUND BALANCES						
Restricted	15,124	14,210	66,405	-	-	95,739
Committed	-	-	-	140,582	284,099	424,681
Total Fund Balances	<u>15,124</u>	<u>14,210</u>	<u>66,405</u>	<u>140,582</u>	<u>284,099</u>	<u>520,420</u>
Total Liabilities, Deferred Inflows of Resources, & Fund Balances	<u>\$ 33,121</u>	<u>\$ 14,210</u>	<u>\$ 95,479</u>	<u>\$ 140,582</u>	<u>\$ 284,099</u>	<u>\$ 567,491</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTEBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Housing Project Fund	Police Fund	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
REVENUES						
Taxes	\$ -	\$ -	\$ 250,885	\$ 206,282	\$ 394,256	\$ 851,423
Miscellaneous	1,543	33,478	50	196	393	35,660
Total Revenues	1,543	33,478	250,935	206,478	394,649	887,083
EXPENDITURES						
Current						
Housing Project	403	-	-	-	-	403
Public Safety	-	19,268	-	-	-	19,268
Tourism Development	-	-	236,760	38,316	-	275,076
Debt Service						
Principal	-	-	-	-	234,437	234,437
Interest	-	-	-	-	50,323	50,323
Total Expenditures	403	19,268	236,760	38,316	284,760	579,507
OTHER FINANCING SOURCES (USES)						
Transfers In	-	3,000	-	-	-	3,000
Transfers Out	(10,336)	(19,800)	-	(90,000)	(90,000)	(210,136)
Total Other Financing Sources (Uses)	(10,336)	(16,800)	-	(90,000)	(90,000)	(207,136)
Net Change in Fund Balances	(9,196)	(2,590)	14,175	78,162	19,889	100,440
Fund Balances, Beginning	24,320	16,800	52,230	62,420	264,210	419,980
Fund Balances, Ending	\$ 15,124	\$ 14,210	\$ 66,405	\$ 140,582	\$ 284,099	\$ 520,420

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND

Enterprise Fund

Proprietary Funds are used to account for operation of the City (a) that are financed and operated in a manner similar to private business, where the intent is for the cost of providing goods or services to be recovered, in whole or in part, through user charges; or (b) where the City Council has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. This fund consists of water and sewer operations in the City of Walterboro, and communities of Ruffin and Hendersonville.

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water and Sewer			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 2,151,230	\$ 2,151,230	\$ 2,083,265	\$ (67,965)
Sewer Charges	1,247,640	1,247,640	1,216,379	(31,261)
Total Operating Revenues	<u>3,398,870</u>	<u>3,398,870</u>	<u>3,299,644</u>	<u>(99,226)</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	810,274	810,274	660,618	149,656
Sewer	674,192	674,192	604,860	69,332
Utility Support	109,696	109,696	116,003	(6,307)
Economic Development	68,561	68,561	68,479	82
Depreciation	-	-	723,489	(723,489)
Bad Debt Expense	-	-	28,478	(28,478)
Total Operating Expenses	<u>1,662,723</u>	<u>1,662,723</u>	<u>2,201,927</u>	<u>(539,204)</u>
Operating Income	<u>1,736,147</u>	<u>1,736,147</u>	<u>1,097,717</u>	<u>(638,430)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	3,080	3,080	1,855	(1,225)
Interest Expense	(417,822)	(417,822)	(94,044)	323,778
Bank Charges	-	-	(3,525)	(3,525)
Total Nonoperating Revenues (Expenses)	<u>(414,742)</u>	<u>(414,742)</u>	<u>(95,714)</u>	<u>319,028</u>
Income Before Contributions and Transfers	1,321,405	1,321,405	1,002,003	(319,402)
Operating Transfers In	-	-	612,472	612,472
Operating Transfers Out	<u>(1,321,405)</u>	<u>(1,321,405)</u>	<u>(1,324,830)</u>	<u>(3,425)</u>
Change in Net Position	-	-	289,645	289,645
Net Position, Beginning	<u>18,654,896</u>	<u>18,654,896</u>	<u>18,654,896</u>	<u>-</u>
Net Position, Ending	<u>\$ 18,654,896</u>	<u>\$ 18,654,896</u>	<u>\$ 18,944,541</u>	<u>\$ 289,645</u>

The notes to the financial statements are an integral part of this statement

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2014**

	Business-type Activities			
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	Total
ASSETS				
Current Assets				
Cash	\$ 598,223	\$ 266,526	\$ 44,842	\$ 909,591
Receivables	653,804	8,970	2,412	665,186
Inventories	186,103	-	-	186,103
Total Current Assets	<u>1,438,130</u>	<u>275,496</u>	<u>47,254</u>	<u>1,760,880</u>
Noncurrent Assets				
Restricted Cash	216,919	-	-	216,919
Capital Assets, not being depreciated	76,254	-	-	76,254
Capital Assets, being depreciated	19,728,164	1,117,510	547,434	21,393,108
Total Noncurrent Assets	<u>20,021,337</u>	<u>1,117,510</u>	<u>547,434</u>	<u>21,686,281</u>
Total Assets	<u>\$ 21,459,467</u>	<u>\$ 1,393,006</u>	<u>\$ 594,688</u>	<u>\$ 23,447,161</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 55,669	\$ -	\$ -	\$ 55,669
Salaries and Benefits Payable	19,992	-	-	19,992
Interest Payable	7,342	-	-	7,342
Compensated Absences - current	5,000	-	-	5,000
Revenue Bonds Payable - current	333,166	-	-	333,166
Customer Deposits	262,583	-	-	262,583
Deferred Revenues	48,085	-	-	48,085
Total Current Liabilities	<u>731,837</u>	<u>-</u>	<u>-</u>	<u>731,837</u>
Noncurrent Liabilities				
Revenue Bonds Payable	3,751,768	-	-	3,751,768
Compensated Absences	19,015	-	-	19,015
Total Noncurrent Liabilities	<u>3,770,783</u>	<u>-</u>	<u>-</u>	<u>3,770,783</u>
Total Liabilities	<u>4,502,620</u>	<u>-</u>	<u>-</u>	<u>4,502,620</u>
NET POSITION				
Net Position				
Unrestricted	1,020,444	275,496	47,254	1,343,194
Restricted	216,919	-	-	216,919
Net Investment in Capital Assets	15,719,484	1,117,510	547,434	17,384,428
Total Net Position	<u>16,956,847</u>	<u>1,393,006</u>	<u>594,688</u>	<u>18,944,541</u>
Total Liabilities and Net Position	<u>\$ 21,459,467</u>	<u>\$ 1,393,006</u>	<u>\$ 594,688</u>	<u>\$ 23,447,161</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities			
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	Total
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 2,037,292	\$ 38,469	\$ 7,504	\$ 2,083,265
Sewer Charges	1,211,540	-	4,839	1,216,379
Total Operating Revenues	<u>3,248,832</u>	<u>38,469</u>	<u>12,343</u>	<u>3,299,644</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	650,445	7,702	2,471	660,618
Sewer	602,597	-	2,263	604,860
Utility Support	114,217	1,352	434	116,003
Economic Development	68,479	-	-	68,479
Depreciation	681,416	28,027	14,046	723,489
Bad Debt Expense	28,478	-	-	28,478
Total Operating Expenses	<u>2,145,632</u>	<u>37,081</u>	<u>19,214</u>	<u>2,201,927</u>
Operating Income	<u>1,103,200</u>	<u>1,388</u>	<u>(6,871)</u>	<u>1,097,717</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	1,855	-	-	1,855
Interest Expense	(94,044)	-	-	(94,044)
Bank Charges	(3,525)	-	-	(3,525)
Total Nonoperating Revenues (Expenses)	<u>(95,714)</u>	<u>-</u>	<u>-</u>	<u>(95,714)</u>
Income Before Contributions and Transfers	1,007,486	1,388	(6,871)	1,002,003
Operating Transfers In	612,472	-	-	612,472
Operating Transfers Out	<u>(1,324,830)</u>	<u>-</u>	<u>-</u>	<u>(1,324,830)</u>
Change in Net Position	295,128	1,388	(6,871)	289,645
Net Position, Beginning	16,661,717	1,391,620	601,559	18,654,896
Net Position, Ending	<u>\$ 16,956,845</u>	<u>\$ 1,393,008</u>	<u>\$ 594,688</u>	<u>\$ 18,944,541</u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Agency Funds

Agency fund transactions relate to assets held by the City as an agent of a private organization and are accounted for in the Fiduciary Fund types.

The Agency Fund is used to account for assets held by the City as an agency and does not involve measurement of results of operations.

- Municipal Court Fund Accounts for fines collected and disbursed.
- Fireman Fund Accounts for funds received from the state that are restricted for use by firemen.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2014**

	<u>Municipal Court</u>	<u>Firemens</u>	<u>Total</u>
ASSETS			
Cash	\$ 26,889	\$ 76	\$ 26,965
Total Assets	<u>\$ 26,889</u>	<u>\$ 76</u>	<u>\$ 26,965</u>
LIABILITIES			
Due to Others	\$ 26,889	\$ 76	\$ 26,965
Total Liabilities	<u>\$ 26,889</u>	<u>\$ 76</u>	<u>\$ 26,965</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Municipal Court				
Assets				
Cash	\$ 17,234	\$ 328,110	\$ 318,455	\$ 26,889
Total Assets	<u>\$ 17,234</u>	<u>\$ 328,110</u>	<u>\$ 318,455</u>	<u>\$ 26,889</u>
Liabilities				
Due to Others	\$ 17,234	\$ 328,110	\$ 318,455	\$ 26,889
Total Liabilities	<u>\$ 17,234</u>	<u>\$ 328,110</u>	<u>\$ 318,455</u>	<u>\$ 26,889</u>
 Firemens Fund				
Assets				
Cash	\$ 76	\$ 23,810	\$ 23,810	\$ 76
Total Assets	<u>\$ 76</u>	<u>\$ 23,810</u>	<u>\$ 23,810</u>	<u>\$ 76</u>
Liabilities				
Due to Others	\$ 76	\$ 23,810	\$ 23,810	\$ 76
Total Liabilities	<u>\$ 76</u>	<u>\$ 23,810</u>	<u>\$ 23,810</u>	<u>\$ 76</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
FOR YEAR ENDED JUNE 30, 2014**

Court Fines:

Court Fines Collected	\$ 128,671
Court Fines Retained by County	<u>128,671</u>
Court Fines Remitted to the State Treasurer	<u>-</u>

Court Assessments:

Court Assessments Collected	119,971
Court Assessments Retained by County	<u>-</u>
Court Assessments Remitted to State Treasurer	<u>119,971</u>

Court Surcharges:

Court Surcharges Collected	55,851
Court Surcharges Collected Retained by County	<u>-</u>
Court Surcharges Remitted to State Treasurer	<u>55,851</u>

Victims Assistance:

Court Assessments Allocated to Victim Assistance	15,094
Court Surcharges Allocated to Victims Assistance	<u>8,534</u>
Total Funds Allocated to Victim Assistance	23,628
Interest income	12
Victim Services expenditures	<u>(23,614)</u>

Fund Available for Carryforward	26
Beginning of Year	<u>299</u>
End of Year	<u><u>\$ 325</u></u>

STATISTICAL SECTION

CITY OF WALTERBORO, SOUTH CAROLINA

STATISTICAL SECTION

This part of the City of Walterboro, South Carolina comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosure, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	66-70
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	71-76
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	77-79
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help comparisons over time and with other governments.	80-81
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the district provides and the activities it performs.	82-84

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**CITY OF WALTERBORO, SOUTH CAROLINA
NET POSITION BY COMPONENTS
LAST TEN FISCAL YEARS**

Schedule 1

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL ACTIVITIES										
Unrestricted	\$ 2,519,894	\$ 2,004,932	\$ 3,075,301	\$ 3,430,996	\$ 3,535,149	\$ 3,769,894	\$ 2,047,147	\$ 3,560,906	\$ 4,277,937	\$ 3,863,337
Restricted	-	-	-	-	-	-	3,030,465	832,985	432,882	529,392
Invested in Capital Assets, Net of Related Debt	3,071,212	3,230,291	3,493,190	4,232,242	4,635,718	4,958,029	4,171,417	5,327,454	5,816,730	6,693,531
Total Governmental Activities Net Position	<u>\$ 5,591,106</u>	<u>\$ 5,235,223</u>	<u>\$ 6,568,491</u>	<u>\$ 7,663,238</u>	<u>\$ 8,170,867</u>	<u>\$ 8,727,923</u>	<u>\$ 9,249,029</u>	<u>\$ 9,721,345</u>	<u>\$ 10,527,549</u>	<u>\$ 11,086,260</u>
BUSINESS TYPE ACTIVITIES										
Unrestricted	\$ 3,714,715	\$ 3,633,172	\$ 3,602,257	\$ 3,147,922	\$ 2,393,260	\$ 1,730,109	\$ 1,884,528	\$ 1,681,917	\$ 1,215,029	\$ 1,343,194
Restricted	294,807	297,399	294,133	297,517	291,459	474,821	553,776	220,855	218,746	216,919
Invested in Capital Assets, Net of Related Debt	13,725,100	13,149,092	13,371,351	14,255,836	15,348,091	16,335,109	16,181,612	16,900,565	17,221,121	17,384,428
Total Business Type Activities Net Position	<u>\$ 17,734,622</u>	<u>\$ 17,079,663</u>	<u>\$ 17,267,741</u>	<u>\$ 17,701,275</u>	<u>\$ 18,032,810</u>	<u>\$ 18,540,039</u>	<u>\$ 18,619,916</u>	<u>\$ 18,803,337</u>	<u>\$ 18,654,896</u>	<u>\$ 18,944,541</u>

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Schedule 2

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
Mayor/Council/Attorney/Judge	\$ 166,696	\$ 180,550	\$ 211,740	\$ 246,884	\$ 262,545	\$ 270,136	\$ 247,569	\$ 281,454	\$ 320,125	\$ 286,003
City Manager/City Clerk	168,520	171,600	200,741	200,570	195,999	201,594	202,258	200,892	205,092	286,797
Finance	291,034	332,008	351,114	359,167	383,635	398,053	410,047	418,214	419,543	417,064
Public Works	1,019,364	1,125,977	1,060,001	1,116,447	1,277,972	1,172,210	1,225,700	1,593,970	1,554,416	1,407,087
Planning/Code Enforcement	91,501	96,337	105,685	148,449	219,028	267,388	245,236	256,418	247,971	259,744
Judicial	264,495	261,470	227,872	322,306	348,408	165,602	172,612	171,159	163,941	162,026
Public Safety	2,033,545	2,132,094	2,141,188	2,553,504	2,493,117	2,796,254	3,225,479	3,299,998	3,205,778	3,094,608
Sanitation	432,415	406,679	477,009	521,770	477,512	484,031	502,085	531,910	474,108	424,459
Parks	-	-	175,246	202,133	240,347	343,969	390,775	611,235	422,118	456,795
Tourism	-	122,211	233,482	204,435	194,839	336,880	411,048	405,685	383,688	405,642
Economic Development	-	1,560,015	-	-	-	-	126	-	-	-
Housing Project	131,636	243	29,288	695	1,088	17,313	9,618	5,065	511	403
Great Swamp	20,283	83,447	48,200	37,852	43,191	15,156	10,732	7,811	1,878	3,425
Non-Department Support	119,872	125,692	94,577	124,819	204,007	99,859	43,160	16,497	10,806	426,366
Reserve Accounts	98,764	123,576	135,685	25,271	28,639	148,049	318,366	357,299	283,912	330,136
Bond Issue Costs	-	-	-	-	-	-	-	7,124	-	-
Interest on Long-term Debt	339	74,311	181,810	166,941	158,607	143,906	132,946	127,899	115,967	104,843
Total Governmental Activities Expenses	<u>4,838,464</u>	<u>6,796,210</u>	<u>5,673,638</u>	<u>6,231,243</u>	<u>6,528,934</u>	<u>6,860,400</u>	<u>7,547,757</u>	<u>8,292,630</u>	<u>7,809,854</u>	<u>8,065,398</u>
Business-type Activities										
Water	744,488	928,000	1,106,381	1,303,066	1,368,838	1,409,170	1,404,784	1,331,084	1,293,359	1,273,512
Sewer	1,229,043	1,046,110	934,514	718,335	752,910	792,298	829,683	879,746	932,388	957,505
Economic Development	-	-	-	-	-	-	68,501	62,593	68,023	68,479
Total Business Activities Expenses	<u>1,973,531</u>	<u>1,974,110</u>	<u>2,040,895</u>	<u>2,021,401</u>	<u>2,121,748</u>	<u>2,201,468</u>	<u>2,302,968</u>	<u>2,273,423</u>	<u>2,293,770</u>	<u>2,299,496</u>
Total Primary Government Expenses	<u>6,811,995</u>	<u>8,770,320</u>	<u>7,714,533</u>	<u>8,252,644</u>	<u>8,650,682</u>	<u>9,061,868</u>	<u>9,850,725</u>	<u>10,566,053</u>	<u>10,103,624</u>	<u>10,364,894</u>
Revenues										
Governmental Activities:										
Program Revenues										
Charges for Services:										
General Government	720,545	719,223	633,152	702,424	822,334	639,338	700,018	622,509	628,855	616,257
Operating Grants and Contributions	20,696	17,562	14,711	25,639	11,771	11,605	342,816	716,300	538,107	65,940
Capital Grants and Contributions	181,286	316,005	105,331	594,950	6,600	223,121	162,357	173,416	594,727	1,018,140
Total Governmental Activities Program Revenues	<u>922,527</u>	<u>1,052,790</u>	<u>753,194</u>	<u>1,323,013</u>	<u>840,705</u>	<u>874,064</u>	<u>1,205,191</u>	<u>1,512,225</u>	<u>1,761,689</u>	<u>1,700,337</u>
Business-Type Activities										
Charges for Services:										
Water	1,368,177	1,526,327	1,586,903	1,687,985	1,761,218	1,895,381	1,992,832	2,261,966	1,986,115	2,083,265
Sewer	1,004,847	1,004,421	1,026,297	1,079,166	1,451,504	1,774,235	1,174,484	1,173,419	1,176,668	1,216,379
Capital Grants and Contributions	409,294	7,759	-	-	-	-	485,282	308,451	344,926	-
Total Business-Type Activities Program Revenues	<u>2,782,318</u>	<u>2,538,507</u>	<u>2,613,200</u>	<u>2,767,151</u>	<u>3,212,722</u>	<u>3,669,616</u>	<u>3,652,598</u>	<u>3,743,836</u>	<u>3,507,709</u>	<u>3,299,644</u>
Total Primary Government Program Revenues	<u>3,704,845</u>	<u>3,591,297</u>	<u>3,366,394</u>	<u>4,090,164</u>	<u>4,053,427</u>	<u>4,543,680</u>	<u>4,857,789</u>	<u>5,256,061</u>	<u>5,269,398</u>	<u>4,999,981</u>
Net (Expense) Revenue										
Governmental Activities	(3,915,937)	(5,743,420)	(4,920,444)	(4,908,230)	(5,688,229)	(5,986,336)	(6,342,566)	(6,780,405)	(6,048,165)	(6,365,061)
Business-Type Activities	808,787	564,397	572,305	745,750	1,090,974	1,468,148	1,349,630	1,470,413	1,213,939	1,000,148
Total Primary Government Net Revenue / (Expense)	<u>(3,107,150)</u>	<u>(5,179,023)</u>	<u>(4,348,139)</u>	<u>(4,162,480)</u>	<u>(4,597,255)</u>	<u>(4,518,188)</u>	<u>(4,992,936)</u>	<u>(5,309,992)</u>	<u>(4,834,226)</u>	<u>(5,364,913)</u>

CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Schedule 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues										
Governmental Activities:										
Taxes	\$ 2,086,664	\$ 2,372,006	\$ 3,172,769	\$ 2,996,261	\$ 3,281,033	\$ 3,372,108	\$ 3,407,960	\$ 3,390,582	\$ 3,220,022	\$ 3,800,206
Business Licenses	1,492,522	1,653,426	1,910,569	1,917,324	1,950,618	1,909,367	2,117,002	2,054,421	2,176,590	2,168,072
Unrestricted Grants and Contributions	187,072	170,810	189,173	179,149	189,419	177,130	230,925	485,733	200,927	237,122
Investment Earnings	52,731	79,221	247,850	231,908	119,104	92,314	41,469	26,818	9,891	6,014
Transfers	727,009	1,112,074	733,351	678,335	655,684	992,483	1,281,316	1,295,167	1,333,255	712,358
Total Government Activities	<u>4,545,998</u>	<u>5,387,537</u>	<u>6,253,712</u>	<u>6,002,977</u>	<u>6,195,858</u>	<u>6,543,392</u>	<u>7,078,672</u>	<u>7,252,721</u>	<u>6,940,685</u>	<u>6,923,772</u>
Business-Type Activities:										
Investment Earnings	55,963	92,718	149,123	196,118	64,183	31,564	11,563	8,175	3,175	1,855
Transfers	(727,009)	(1,112,074)	(733,351)	(678,335)	(655,684)	(992,483)	(1,281,316)	(1,295,167)	(1,333,255)	(712,358)
Total Business-Type Activities	<u>(671,046)</u>	<u>(1,019,356)</u>	<u>(584,228)</u>	<u>(482,217)</u>	<u>(591,501)</u>	<u>(960,919)</u>	<u>(1,269,753)</u>	<u>(1,286,992)</u>	<u>(1,330,080)</u>	<u>(710,503)</u>
Total Primary Government	<u>3,874,952</u>	<u>4,368,181</u>	<u>5,669,484</u>	<u>5,520,760</u>	<u>5,604,357</u>	<u>5,582,473</u>	<u>5,808,919</u>	<u>5,965,729</u>	<u>5,610,605</u>	<u>6,213,269</u>
Change in Net Position										
Prior Period Adjustment	-	-	-	-	-	-	-	-	(118,616)	-
Governmental Activities	630,061	(355,883)	1,333,268	1,094,747	507,629	557,056	736,106	472,316	892,520	558,711
Business-Type Activities	137,741	(454,959)	(11,923)	263,533	331,535	507,229	79,877	183,421	(116,141)	289,645
Total Primary Government	<u>767,802</u>	<u>(810,842)</u>	<u>1,321,345</u>	<u>1,358,280</u>	<u>839,164</u>	<u>1,064,285</u>	<u>815,983</u>	<u>655,737</u>	<u>657,763</u>	<u>848,356</u>

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

Schedule 3

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL FUND										
Unassigned	\$ 2,490,109	\$ 2,160,922	\$ 3,755,745	\$ 3,818,588	\$ 3,758,090	\$ 3,346,386	\$ 3,218,771	\$ 2,943,430	\$ 2,780,033	\$ 4,178,285
Total General Fund	<u>2,490,109</u>	<u>2,160,922</u>	<u>3,755,745</u>	<u>3,818,588</u>	<u>3,758,090</u>	<u>3,346,386</u>	<u>3,218,771</u>	<u>2,943,430</u>	<u>2,780,033</u>	<u>4,178,285</u>
GRANT FUND										
Restricted	-	-	-	-	-	-	8,432	-	-	-
Total Economic Development Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL PROJECTS FUND										
Assigned	-	-	-	-	-	-	-	1,071,305	2,537,397	609,930
Restricted	-	-	-	-	-	-	-	-	12,902	8,972
Total Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,305</u>	<u>2,550,299</u>	<u>618,902</u>
ALL OTHER GOVERNMENTAL FUNDS										
Assigned	1,117,145	2,833,523	2,781,086	2,718,677	2,697,315	3,116,283	2,137,169	2,356,597	-	-
Restricted	-	-	-	-	-	-	310,175	160,205	93,350	95,739
Committed	-	-	-	-	-	-	574,689	672,780	326,630	424,681
Total All Other Governmental Funds	<u>1,117,145</u>	<u>2,833,523</u>	<u>2,781,086</u>	<u>2,718,677</u>	<u>2,697,315</u>	<u>3,116,283</u>	<u>3,022,033</u>	<u>3,189,582</u>	<u>419,980</u>	<u>520,420</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u>\$ 3,607,254</u>	<u>\$ 4,994,445</u>	<u>\$ 6,536,831</u>	<u>\$ 6,537,265</u>	<u>\$ 6,455,405</u>	<u>\$ 6,462,669</u>	<u>\$ 6,249,236</u>	<u>\$ 7,204,317</u>	<u>\$ 5,750,312</u>	<u>\$ 5,317,607</u>

Source: City Audit Reports

CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Schedule 4

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 2,017,635	\$ 2,274,231	\$ 3,032,901	\$ 3,030,233	\$ 3,339,362	\$ 3,393,356	\$ 3,377,424	\$ 3,353,481	\$ 3,229,469	\$ 3,798,439
Fines, Fees, and Licenses	1,926,649	2,108,924	2,130,653	2,204,815	2,283,243	2,028,600	2,402,428	2,267,301	2,368,574	2,347,669
Intergovernmental	139,535	141,236	152,242	168,257	160,530	134,627	112,117	98,705	116,462	117,132
Solid Waste Disposal Charges	309,061	333,231	338,195	331,460	411,722	389,379	423,067	420,498	447,965	436,660
Miscellaneous	367,046	492,503	659,751	1,131,972	201,507	545,607	711,091	1,329,012	1,074,476	1,211,443
Total Revenues	4,759,926	5,350,125	6,313,742	6,866,737	6,396,364	6,491,569	7,026,127	7,468,997	7,236,946	7,911,343
Expenditures										
Current:										
Mayor/Council/Attorney/Judge	166,696	180,550	226,629	257,994	256,744	264,334	241,767	273,453	318,823	285,505
City Manager/City Clerk	168,720	170,078	195,074	194,745	188,369	193,593	194,123	196,101	195,632	277,729
Finance	419,134	327,742	351,114	363,427	382,297	398,053	408,211	413,144	424,484	412,476
Public Works	1,018,949	1,089,589	1,008,932	1,310,624	1,294,674	1,143,648	1,100,502	1,472,363	1,424,284	1,254,186
Planning/Code Enforcement	108,233	91,553	101,243	140,544	215,954	288,193	239,008	266,383	240,273	248,934
Judicial	260,167	257,561	223,563	318,073	349,320	165,602	173,292	170,977	164,265	160,529
Public Safety	2,069,625	2,364,406	2,186,423	2,686,193	2,669,446	2,800,562	3,096,021	3,152,902	3,064,326	2,873,095
Sanitation	510,532	571,126	419,404	607,179	405,344	720,422	405,982	437,888	391,442	334,599
Parks	-	-	210,078	206,119	354,600	301,156	389,264	554,953	360,900	343,666
Tourism	-	-	-	-	194,839	336,880	366,275	405,774	383,915	406,779
Housing Project	131,636	243	29,288	695	1,088	17,313	9,618	5,065	511	403
Great Swamp	402,241	205,756	363,798	318,736	60,077	145,765	10,732	7,811	1,878	3,425
Non-Departmental Support	360,644	398,058	1,208,847	491,634	604,486	255,182	43,160	16,497	10,806	426,366
Reserve Accounts	98,764	123,576	135,685	25,271	28,639	148,049	318,366	357,299	283,912	330,136
Debt Service										
Principal	-	-	-	-	-	-	278,210	347,608	368,034	403,547
Interest	-	-	-	-	-	-	132,758	124,666	117,856	107,464
Capital Outlay	-	-	-	-	-	-	898,587	958,082	2,272,865	1,499,567
Total Expenditures	5,715,341	5,780,238	6,660,078	6,921,234	7,005,877	7,178,752	8,305,876	9,160,966	10,024,206	9,368,406
Excess (deficiency) of revenues over (under) expenditures	(955,415)	(430,113)	(346,336)	(54,497)	(609,513)	(687,183)	(1,279,749)	(1,691,969)	(2,787,260)	(1,457,063)
Other Financing Sources (Uses)										
Issuance of Debt	109,643	1,925,000	-	-	-	-	-	1,351,883	-	312,000
Transfers In	758,550	1,362,773	1,541,479	1,768,618	1,313,283	1,751,615	2,160,893	2,173,157	2,234,245	3,923,259
Transfers Out	(31,541)	(250,699)	(808,128)	(1,558,316)	(785,633)	(1,057,168)	(879,577)	(877,990)	(900,990)	(3,210,901)
Total Other Financing Sources (Uses)	836,652	3,037,074	733,351	210,302	527,650	694,447	1,281,316	2,647,050	1,333,255	1,024,358
Net Change in Fund Balances	(118,763)	2,606,961	387,015	155,805	(81,863)	7,264	1,567	955,081	(1,454,005)	(432,705)
Fund Balances, Beginning	3,506,247	3,387,484	5,994,445	6,381,460	6,537,265	6,455,402	6,462,669	6,249,236	7,204,317	5,750,312
Prior Period Adjustment(s)							(215,000)	-	-	-
Fund Balances, Ending	\$ 3,387,484	\$ 5,994,445	\$ 6,381,460	\$ 6,537,265	\$ 6,455,402	\$ 6,462,666	\$ 6,249,236	7,204,317	5,750,312	5,317,607
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A	N/A	5.9%	5.8%	6.3%	6.5%

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Schedule 5

FISCAL YEAR ENDED JUNE 30,	ASSESSED VALUE			MARKET VALUE			TOTAL DIRECT TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	
2005	\$ 11,954,140	\$ 4,017,590	\$ 15,971,730	\$ 204,539,759	\$ 36,552,021	\$ 241,091,780	95.00
2006*	14,125,900	3,231,410	17,357,310	245,613,856	28,356,973	273,970,829	78.00
2007	16,882,260	3,312,580	20,194,840	290,939,951	21,838,331	312,778,282	81.00
2008	17,445,170	3,628,988	21,074,158	300,340,051	34,835,056	335,175,107	83.00
2009	18,878,650	4,059,310	22,937,960	325,851,450	38,969,318	364,820,768	83.00
2010	18,175,613	4,116,560	22,292,173	431,533,550	40,747,393	472,280,943	77.00
2011	19,715,147	5,711,537	25,426,684	434,658,528	40,883,614	475,542,142	77.00
2012*	19,183,243	6,401,206	25,584,449	429,454,560	73,742,766	503,197,326	79.50
2013	19,176,481	6,190,576	25,367,057	429,359,106	72,625,722	501,984,828	79.50
2014	19,452,020	5,235,460	24,687,480	433,364,625	61,151,390	494,516,015	88.00

* Reassessment Year.

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Schedule 6

FISCAL YEAR ENDED JUNE 30,	CITY	OVERLAPPING RATES			
	DIRECT RATES	COUNTY		SCHOOL	
	BASIC RATE	COUNTY OPERATIONS	DEBT SERVICE	OPERATIONS	DEBT SERVICE
2005	95.00	125.50	11.10	113.40	10.50
2006	78.00	96.10	12.50	87.80	7.80
2007	81.00	102.40	11.20	98.20	24.50
2008	83.00	104.20	11.40	101.44	44.50
2009	83.00	104.20	12.00	104.38	46.50
2010	77.00	107.50	8.70	104.38	46.50
2011	77.00	105.86	7.41	101.83	46.50
2012	79.50	108.45	7.41	104.31	46.50
2013	79.50	108.45	7.41	104.31	46.50
2014	88.00	108.45	7.41	104.31	46.50

Source: County Auditor's Office

There are no components to the city's basic rate.

**CITY OF WALTERBORO, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Schedule 7

TAXPAYER	2014			2005		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
SC ELECTRIC & GAS CO.	\$ 1,202,710	1	6.27 %	N/A		N/A %
WAL-MART REAL ESTATE BUSINESSTRUST	765,000	2	3.99	N/A		N/A
WALTERBORO COMMUNITY HOSPITAL	486,000	3	2.53	N/A		N/A
WALTERBORO/SAV LLC ETAL	387,300	4	2.02	N/A		N/A
PECK SLIP ASSOCIATES GROUP LLCC	339,120	5	1.77	N/A		N/A
LMS FOREST POINTE LLC	300,000	6	1.56	N/A		N/A
USPG PORTFOLIO TWO LLC	234,000	7	1.22	N/A		N/A
WALGREEN COMPANY	228,840	8	1.19	N/A		N/A
HOSPITAL DEV PROPERTIES	216,000	9	1.13	N/A		N/A
FRONTIER COMMUNICATIONS	166,840	10	0.87	N/A		N/A
Total	<u>\$ 4,325,810</u>		<u>22.55 %</u>	<u>\$ -</u>		<u>- %</u>

Source: Colleton County Auditor's Office
N/A Information is not available

**CITY OF WALTERBORO, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Schedule 8

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
			PERCENTAGE			PERCENTAGE
		AMOUNT	OF LEVY		AMOUNT	OF LEVY
2005	\$ 1,023,660	\$ 917,199	89.6	\$ 46,081	\$ 963,280	94.1
2006*	1,008,189	870,067	86.3	69,721	939,788	93.2
2007	1,124,130	1,016,214	90.4	75,928	1,092,142	97.2
2008	1,212,580	1,101,023	90.8	83,913	1,184,936	97.7
2009	1,331,175	1,199,389	90.1	87,831	1,287,220	96.7
2010	1,393,947	1,124,915	80.7	239,432	1,364,347	97.9
2011	1,443,882	1,300,938	90.1	123,589	1,424,527	98.7
2012	1,393,372	1,231,741	88.4	114,452	1,346,193	96.6
2013	1,248,098	1,157,677	92.8	58,917	1,216,594	97.5
2014	1,613,332	1,500,519	93.0	87,928	1,588,447	98.5

* Reassessment Year.

Source: Delinquent Tax Collector, Clty Finance Office, County Auditor, County Treasurer
n/a = Information is not available.

**CITY OF WALTERBORO, SOUTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Schedule 9

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES	TOTAL OUTSTANDING DEBT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	REVENUE BOND	TAX INCREMENT FINANCING	LEASES PAYABLE	GENERAL OBLIGATION	REVENUE BOND			
2005	\$ -	\$ -	\$ 464,647	\$ 950,170	N/A	\$ 1,414,817	n/a	249.44
2006	1,558,992	1,734,100	334,840	898,332	N/A	4,526,264	n/a	795.62
2007	1,481,061	1,648,143	226,646	844,404	N/A	4,200,254	n/a	738.18
2008	1,399,868	1,558,487	167,163	788,305	N/A	3,913,823	n/a	677.13
2009	1,315,273	1,464,973	126,076	729,944	N/A	3,636,266	n/a	627.92
2010	1,227,135	1,367,436	97,507	669,231	\$ 3,860,522	7,221,831	25.43 %	1,337.87
2011	1,135,307	1,265,703	76,019	606,070	5,374,150	8,457,249	28.56	1,565.58
2012	1,057,536	1,183,886	55,789	1,858,000	4,728,668	8,883,879	29.19	1,657.44
2013	949,504	1,063,282	36,793	1,737,298	4,410,475	8,197,352	26.93	1,544.05
2014	839,193	939,456	303,734	1,613,247	4,084,934	7,780,564	25.56	1,464.99

Source: City Audit Report, US Census Bureau

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.

See schedule 14 for personal income and population.

These ratios are calculated using personal income and population for the prior calendar year.

N/A Information is not available.

**CITY OF WALTERBORO, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Schedule 10

FISCAL YEAR ENDED JUNE 30,	Amount	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
2005	\$ 950,170	5.9%	168
2006	898,332	5.2%	158
2007	844,404	4.2%	148
2008	788,305	3.7%	136
2009	729,944	3.2%	126
2010	669,231	3.0%	124
2011	606,070	2.4%	112
2012	1,858,000	7.3%	347
2013	1,737,298	6.8%	327
2014	1,613,247	6.5%	304

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014**

Schedule 11

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt repaid with property taxes			
Colleton County	\$ 11,484,443	20.00%	\$ 2,296,889
Fire and Rescue	11,321,957	20.00%	2,264,391
Colleton County School District	89,814,272	20.00%	17,962,854
Subtotal overlapping debt	<u>112,620,672</u>		<u>22,524,134</u>
City direct debt	<u>3,695,630</u>	100.00%	<u>3,695,630</u>
Total direct and overlapping debt	<u><u>\$ 116,316,302</u></u>		<u><u>\$ 26,219,764</u></u>

Sources: Colleton County Treasurer, Colleton County School District

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the governments's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. The calculation is based on the assessed value of the City to the assessed value of the County.

**CITY OF WALTERBORO, SOUTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 24,687,480
Debt limit (8% of assessed value)	1,974,998
Debt applicable to limit:	
General Obligation Bonds @ 4.03%	
Total net debt applicable to limit	<u>1,613,247</u>
Legal Debt Margin	<u>\$ 361,751</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 1,391,390	\$ 1,549,436	\$ 938,791	\$ 1,025,962	\$ 3,740,711	\$ 2,088,699	\$ 2,034,134	\$ 2,046,756	\$ 2,029,365	\$ 1,974,998
Total net debt applicable to limit	<u>(950,130)</u>	<u>(898,332)</u>	<u>(844,404)</u>	<u>(788,305)</u>	<u>(729,944)</u>	<u>(669,231)</u>	<u>(606,070)</u>	<u>(1,858,000)</u>	<u>(1,737,298)</u>	<u>(1,613,247)</u>
Legal debt margin	<u>\$ 441,260</u>	<u>\$ 651,104</u>	<u>\$ 94,387</u>	<u>\$ 237,657</u>	<u>\$ 3,010,767</u>	<u>\$ 1,419,468</u>	<u>\$ 1,428,064</u>	<u>\$ 188,756</u>	<u>\$ 292,067</u>	<u>\$ 361,751</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>68.3%</u>	<u>58.0%</u>	<u>89.9%</u>	<u>76.8%</u>	<u>19.5%</u>	<u>32.0%</u>	<u>29.8%</u>	<u>90.8%</u>	<u>85.6%</u>	<u>81.7%</u>

Under state finance law, the City's outstanding general obligation debt should not exceed 8 percent of the total assessed property value.

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Schedule 13

FISCAL YEAR ENDED	REVENUE BONDS					
				DEBT SERVICE		COVERAGE
	GROSS REVENUE	OPERATING EXPENSES	NET AVAILABLE REVENUE	PRINCIPAL	INTEREST	
<u>JUNE 30,</u>						
2005	\$ 2,373,024	\$ 1,212,547	\$ 1,160,477	\$ 147,467	\$ 139,575	8.3
2006	2,530,748	1,295,653	1,235,095	153,453	133,638	8.8
2007	2,613,200	1,407,957	1,205,243	159,684	126,105	9.1
2008	2,767,151	1,384,534	1,382,617	166,168	119,621	9.7
2009	3,212,722	1,473,895	1,738,827	172,915	112,874	11.2
2010	3,669,616	1,547,004	2,122,612	179,937	113,510	12.5
2011	3,167,316	1,572,864	1,594,452	211,972	133,366	9.2
2012	3,415,385	1,494,391	1,920,994	261,123	98,385	9.5
2013	3,162,783	1,483,574	1,679,209	318,193	102,328	7.5
2014	3,299,644	1,478,438	1,821,206	325,541	95,245	7.8

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Schedule 14

FISCAL YEAR ENDED JUNE 30,	POPULATION	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	SCHOOL ENROLLMENT*	UNEMPLOYMENT RATE	
2005	5,672	N/A	N/A	N/A	6,023	7.20	%
2006	5,689	N/A	N/A	N/A	5,997	6.40	
2007	5,690	N/A	N/A	N/A	5,919	N/A	
2008	5,780	N/A	N/A	N/A	5,829	N/A	
2009	5,791	\$ 28,085	\$ 17,014	39.6	5,846	12.20	
2010	5,398	28,396	17,784	36.1	5,808	12.40	
2011	5,402	29,609	17,784	36.1	5,772	14.10	
2012	5,360	30,436	17,784	36.1	1,197	12.10*	
2013	5,309	30,436	17,304	38.9	1,302	11.50	
2014	5,311	30,436	17,304	38.9	1,302	6.60	

Data Source:

- (1) US Bureau of the Census
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Lowcountry Council of Governments
- (4) South Carolina Department of Education - high school moved out of city limits accounting for drastic enrollment drop.
- (5) South Carolina Employment Security Commission

N/A Information is not available

*Includes county residents until 2011 when students were re-assigned out of the City limits.

**CITY OF WALTERBORO, SOUTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Schedule 15

EMPLOYER	2014				2005			
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT		EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	
Colleton County School Board	925	1	N/A	%	N/A	N/A	N/A	%
Colleton Medical Center	490	2	N/A		N/A	N/A	N/A	
Colleton County	445	3	N/A		N/A	N/A	N/A	
Walmart	292	4	N/A		N/A	N/A	N/A	
BiLo	125	5	N/A		N/A	N/A	N/A	
City of Walterboro	113	6	N/A		N/A	N/A	N/A	
Cracker Barrel	110	7	N/A		N/A	N/A	N/A	
Ruby Tuesday	61	8	N/A		N/A	N/A	N/A	
DOT	60	9	N/A		N/A	N/A	N/A	
IGA	50	10	N/A		N/A	N/A	N/A	
Total	2,671		-	%	-		-	%

Source: City Economic Development Department
N/A Information is not available

CITY OF WALTERBORO, SOUTH CAROLINA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Schedule 16

FUNCTION/PROGRAM	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mayor/Council/Attorney/Judge	9	9	9	9	9	9	9	9	9	9
City Manager/City Clerk	3	2	2	2	2	2	2	2	2	2
Finance	4.5	4.5	5	5	4	4	4	5	5	4
Public Works	14.5	16.5	16	16	16	16	16	15.5	15.5	15.5
Planning/Code Enforcement	2	3	2	2	4	4	4	4	4	3
Judicial	3	2.5	3	3	3.5	3.5	3.5	2.5	3.5	3.5
Public Safety	44.5	43.5	44	43	45	46	46	46	46	46
Sanitation	5	5	5	5	5	5	5	5	5	5
Parks	-	-	4	4	6	6	8	8	8	7
Tourism	-	-	-	1.0	2.5	2.5	2.5	2.5	2.5	2.5
Economic Development	-	-	-	-	1	1	1	1	1	-
Water	8	8	8	8	7	7	7	7	7	8
Utility Support	2	2	2	2	2	2	2	2	2	2
Sewer	5	5	5	5	5.5	5.5	5.5	5.5	5.5	5.5
Total	100.5	101.0	105.0	105.0	112.5	113.5	115.5	115.0	116.0	112.5

***Note: Figures are for Full Time Equivalents (FTE's)**

Source: City Human Resources

**CITY OF WALTERBORO, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Schedule 17

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business Licenses										
NUMBERS ISSUED	877	897	930	892	888	885	816	880	844	733
Sales Reported for Licenses*	\$ 387,180	\$ 439,230	\$ 532,511	\$ 521,746	\$ 534,373	\$ 545,401	\$ 542,750	\$ 547,523	\$ 571,142	\$ 541,735
Commercial Building Permits Issued										
NUMBERS ISSUED	91	50	45	48	63	209	261	293	97	84
Sales Reported for Permits Issued*	\$ 4,061	\$ 14,899	\$ 9,274	\$ 11,571	\$ 3,601	\$ 4,205	\$ 2,106	\$ 5,472	\$ 2,119	\$ 4,217
Residential Building Permits Issued										
NUMBERS ISSUED	117	106	108	100	191	263	389	356	122	141
Sales Reported for Permits Issued*	\$ 1,610	\$ 3,364	\$ 2,794	\$ 3,212	\$ 1,069	\$ 1,241	\$ 1,141	\$ 1,229	\$ 840	\$ 940

N/A Information is not available.

* Figures are per \$1,000 USD

Source: Various City Departments

**CITY OF WALTERBORO, SOUTH CAROLINA
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Schedule 18

FUNCTION/PROGRAM	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EMERGENCY SERVICES:										
NUMBER OF FIRE STATIONS	1	1	2	2	3	3	3	3	3	3
NUMBER OF FIRE TRUCKS	4	4	2	2	3	3	3	3	4	4
NUMBER OF POLICE STATIONS	1	1	2	2	3	3	3	3	3	3
NUMBER OF POLICE VEHICLES	N/A	N/A	36	39	38	40	44	44	44	44
PUBLIC WORKS										
NUMBER OF GARBAGE TRUCKS	5	5	5	5	5	5	5	5	5	5
WATER/SEWER										
MILES OF PIPE IN GROUND										
WATER	N/A	N/A	284	286	290	291	291	291	291	291
SEWER	N/A	N/A	76	77	77	78	78	78	78	78

N/A Information is not available

Source: City capital asset records.

COMPLIANCE SECTION

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures
<u>US Dept of Housing & Urban Development</u>		
EDI Special Projects Program B06SPSC0932	14.251	\$ 240,931
Passed through the SC Department of Commerce		
Community Development Block Grant #4-W-13-005	14.228	5,000
Community Development Block Grant #4-V-11-007	14.228	491,498
Community Development Block Grant #4-A-10-009	14.228	169,602
Total CFDA Number 14.228		<u>666,100</u>
<u>US Dept of Justice</u>		
BJA-JAG Formula Grant #20111DJBX2474	16.738	<u>1,625</u>
<u>US Dept of Homeland Security</u>		
Passed through the SC Emergency Management Division		
Disaster Grant - Public Assistance	97.036	<u>79,449</u>
<u>US Dept of Agriculture</u>		
Community Facilities Grant	10.766	<u>50,000</u>
Total Expenditures of Federal Awards		<u>\$ 1,038,105</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Walterboro, South Carolina under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Walterboro, South Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Walterboro, South Carolina.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 - Noncash Awards

The City of Walterboro, South Carolina did not receive any noncash federal awards during the year ended June 30, 2014.

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

To the City of Walterboro Council
City of Walterboro, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Walterboro, South Carolina's basic financial statements and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Walterboro, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
October 14, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City of Walterboro Council
City of Walterboro, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Walterboro, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Walterboro, South Carolina's major federal programs for the year ended June 30, 2014. City of Walterboro, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Walterboro, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Walterboro, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Walterboro, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Walterboro, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Walterboro, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered City of Walterboro, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Walterboro, South Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
October 14, 2014

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

I. Summary of Auditors' Results

- A. The auditors' report expresses an unmodified opinion on the financial statements of the City of Walterboro, South Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the City of Walterboro, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs of the City of Walterboro, South Carolina expresses an unmodified opinion on all major federal programs.
- F. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 510(a) of OMB Circular A-133.
- G. Major federal program for the City of Walterboro, South Carolina for the fiscal year ended June 30, 2014 are:

<u>Program Name</u>	<u>CFDA#</u>
CDBG - State Administered Small Cities Program Cluster	14.228
USDA – Community Facilities Loans and Grants	10.766

- H. The threshold for determining Type A programs for the City of Walterboro, South Carolina is \$300,000.
- I. The City of Walterboro, South Carolina did not qualify as a low risk auditee.

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. Findings and Questioned Costs Related to the Audit of the Financial Statements of the City of Walterboro, South Carolina:

There were no findings noted for the year ended June 30, 2014, which are required to be reported in accordance with *Government Auditing Standards*.

III Findings and Questioned Costs Related to the Audit of Federal Awards of the City of Walterboro, South Carolina:

There were no findings noted for the year ended June 30, 2014, which are required to be reported in accordance with OMB Circular A-133 criteria.

IV. Prior Audit Findings Related to the Audit of the Financial Statements of the City of Walterboro, South Carolina:

There were no findings noted for the year ended June 30, 2013 which are required to be reported in accordance with *Government Auditing Standards*.