



CITY OF WALTERBORO SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 (JULY 1, 2014 – JUNE 30, 2015)
AMY RISHER (JULY 1, 2015 – CURRENT)

PREPARED BY:
FINANCE DEPARTMENT

City of Walterboro, South Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
Organizational Chart	6
List of Principal Officials	7
FINANCIAL SECTION	
Independent Auditors' Report	8
Management's Discussion and Analysis	10
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	19
Statement of Activities	20
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Net Position - Fiduciary Funds	29
Statement of Changes in Net Position - Fiduciary Funds	30
<i>Notes to the Financial Statements</i>	31
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Funds	56
Schedule of the Proportionate Share of the Net Pension Liability	57
Schedule of Contributions	58
Schedules of Funding Progress and Employer Contributions - Other Post Employment Benefits	59
Supplementary Information	
<i>Combining Individual Fund Statements and Schedules:</i>	
Nonmajor Governmental Funds	60
Combining Balance Sheet - Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	62

City of Walterboro, South Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
Proprietary Funds	63
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	64
Combining Statement of Net Position	65
Combining Statement of Revenues, Expenses, and Changes in Net Position	66
Fiduciary Funds	67
Combining Statement of Fiduciary Net Position	68
Combining Statement of Changes in Assets and Liabilities	69
Schedule of Court Fines, Assessments, and Surcharges	70
STATISTICAL SECTION	
Narrative	71
Net Position by Components	72
Changes in Net Position	73
Fund Balances, Governmental Funds	75
Changes in Fund Balances, Governmental Funds	76
Assessed Value and Actual Value of Taxable Property	77
Direct and Overlapping Property Tax Rates	78
Principal Property Taxpayers	79
Property Tax Levies and Collections	80
Ratios of Outstanding Debt by Type	81
Ratios of Net of General Bonded Debt Outstanding	82
Direct and Overlapping Governmental Activities Debt	83
Legal Debt Margin Information	84
Pledged-Revenue Coverage	85
Demographic Statistics	86
Principal Employers	87
Full-Time Equivalent City Government Employees by Function/Program	88
Operating Indicators by Function/Program	89
Capital Assets Statistics by Function/Program	90
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91

INTRODUCTORY SECTION



October 1, 2015

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, 2015.

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, 2015, 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, 2015, 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, 2015, the City occupied a land area of 6.7 square miles and serves a population of approximately 5,281. The City is empowered to levy a property tax on both real and personal property 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: police, fire, public works, zoning and code enforcement, parks, municipal court, economic development, tourism, and water and sewer services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the 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 56 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 Census Bureau, median household income is approximately \$31,000. Walterboro's existing retail marketplace is approximately \$360 million (as extrapolated from business license returns). Major retailers such as Wal-Mart, Belk's, Rite-Aid, Bi-Lo, Westbury's Ace Hardware, Dollar General, Auto Zone, Walgreen's, CVS, and more than a dozen large hotels 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. In 2014, the Colleton County Farmers Market and Museum added a Commercial Kitchen, two new medical centers opened as well as several major up-fits of existing buildings. Other proposed developments, primarily commercial, are now under construction. 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. There were no increases for water, sewer or garbage rates in 2015. The City of Walterboro continues its efforts to provide quality water and wastewater treatment services to its customers.

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, 2015, the City had \$1,098,897.44 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. The City adopted GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", which required a restatement of the beginning net position in governmental activities of \$5,134,215 and \$984,477 in business-type activities.

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. Jefferies Blvd/N. Jefferies 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:

- Mast Arm Enhancements throughout the corridor
- Commercial Village Enhancements (S. Jefferies Blvd.)
- Street Lighting and Banners
- Intersection Enhancements
- Median and Bike Lane Enhancements

The objectives of the project are to reduce the amount of curb cuts/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 lighting fixtures, provide new/additional street lighting, and attract more visitors and tourists to the historic downtown of Walterboro.

The City has also undertaken one revitalization project and one water upgrade project that are 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) \$596,963 for revitalization of the North Lemacks Street neighborhood Phase III
- 2) \$863,500 for Hampton Street Area Water Upgrade
- 3) \$1,443,607 for Phase IC & Phase 1D of the I-95 Business Loop Streetscape project

The North Lemacks Street revitalization phase and the Hampton Street Area Water Upgrade mentioned above will be completed during 2016.

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, 2013 and 2014, the City of Waltherboro received a "Certificate of Achievement for Excellence in Finance Reporting" award. A Certificate of Achievement is valid for a period of one year only. The current report will conform to certificate of achievement program requirements, and will be submitted to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the cooperation of the department managers 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



Amy J. Risher
Director of Finance & Administration



Government Finance Officers Association

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

Presented to

**City of Walterboro
South Carolina**

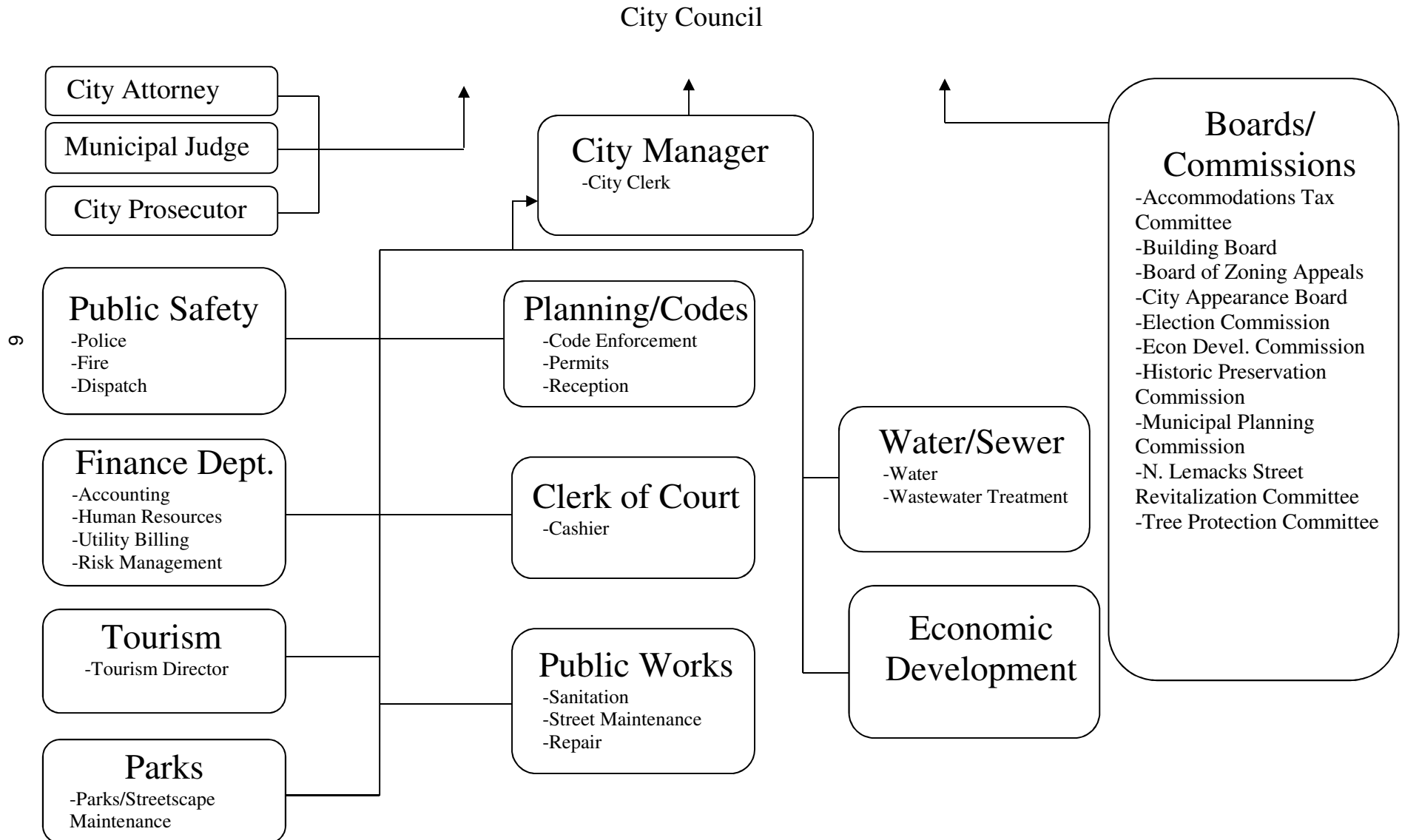
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO
SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015**

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 (July 2014- June 2015)
Director of Finance and Administration.....	Amy Risher (July 2015 – Current)
City Attorney.....	George W. Cone
Utility Director.....	Wayne Crosby
Public Works Director.....	Charlie Chewing
Building Official & Code Enforcement.....	Angelo Pacilio
Planning & Codes Director.....	David B. Dodd
Economic Development Director.....	Vacant
Police Chief.....	Wade Marvin
Fire Chief.....	Wayne Lake
Tourism Director.....	Michelle H. Strickland
Parks Director.....	Adam Davis

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Walterboro, South Carolina
Walterboro, South Carolina 29488

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, 2015, 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.

Auditors' 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual – Governmental Funds on pages 10-18 and 56, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions and the Schedule of Funding Progress and Employer Contributions on pages 57-59, 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 combining and individual nonmajor fund financial statements and schedule of revenues, expenses, and changes in net position – budget and actual, 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 and schedule of revenues, expenses, and changes in net position – budget and actual, 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 1, 2015, 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 1, 2015

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, 2015. 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 City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required a restatement of the beginning net position in governmental activities of \$5,134,215 and \$984,477 in business-type activities.
- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$24,081,507 (net position). Of this amount, \$831,672 (restricted net position) was restricted for specific purposes, \$24,100,487 represented the net investment in capital assets, and the remaining deficit of \$(854,210) was unrestricted. The City's total net position increased by \$169,398 for the year ended June 30, 2015.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$5,436,361, an increase of \$118,754.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,489,293 or 64 percent of the total fund expenditures.
- The City had \$13,543,113 in long-term obligations outstanding versus \$14,494,671 (after the restatement of GASB Statement No. 68) last year, a decrease of 6.6 percent. A capital lease for \$204,965 was issued during the year for vehicles.

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, police, fire, 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 eight 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 31-55 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 60-70 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 \$24,077,949 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	
	2015	2014	2015	2014	2015	2014
Cash and Other Assets	\$ 6,087,605	\$ 6,006,760	\$ 1,945,125	\$ 1,977,799	\$ 8,032,730	\$ 7,984,559
Capital Assets	9,572,189	9,549,968	20,954,291	21,469,362	30,526,480	31,019,330
Total Assets	15,659,794	15,556,728	22,899,416	23,447,161	38,559,210	39,003,889
Deferred Outflows of Resources	516,235	-	97,929	-	614,164	-
Long-term Liabilities Outstanding	8,216,487	3,866,019	4,439,551	4,108,949	12,656,038	7,974,968
Other Liabilities	1,093,796	604,449	750,719	393,671	1,844,515	998,120
Total Liabilities	9,310,283	4,470,468	5,190,270	4,502,620	14,500,553	8,973,088
Deferred Inflows of Resources	496,174	-	95,140	-	591,314	-
Net Position						
Net Investment in Capital Assets	6,897,964	6,693,531	17,202,523	17,384,428	24,100,487	24,077,959
Restricted	614,751	529,392	216,921	216,919	831,672	746,311
Unrestricted	(1,146,701)	3,863,337	292,491	1,343,194	(854,210)	5,206,531
Total Net Position	\$ 6,366,014	\$ 11,086,260	\$ 17,711,935	\$ 18,944,541	\$ 24,077,949	\$ 30,030,801

By far the largest portion of the City's net position \$24,100,487 (101%) 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 \$831,672 (3.5%) represents restricted resources and are not available to fund other commitments. The largest portion \$556,139 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 \$216,921 relates to debt covenants in the proprietary fund, and special revenue funds of \$58,612 committed to housing, public safety, and projects of the City.

The balance of unrestricted net position \$(854,210) (-4.5%) represents a deficit due to the implementation of GASB Statement No. 68.

Governmental activities. Governmental activities increased the City's net position by a net of \$168,398 for the fiscal year ended June 30, 2015. Key elements of this increase are as follows:

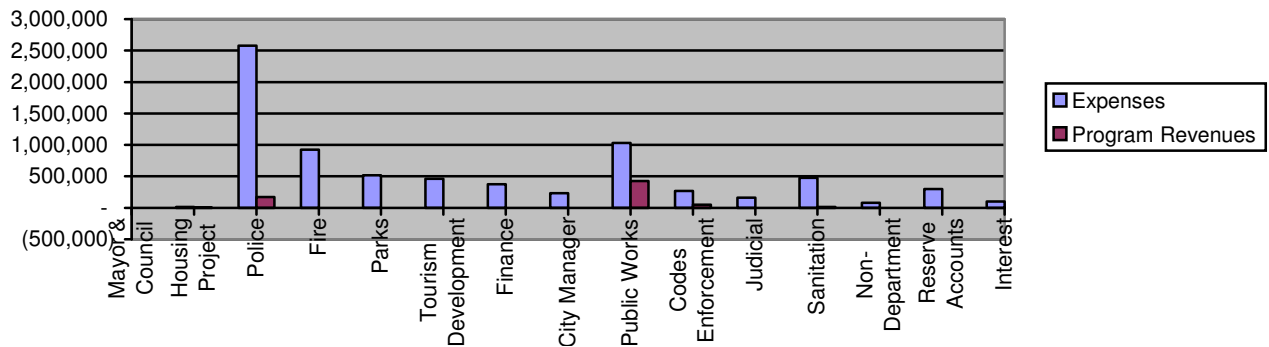
CITY OF WALTERBORO, SOUTH CAROLINA CHANGES IN NET POSITION

	Governmental Activities		Business -Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 656,286	\$ 616,257	\$ 3,426,787	\$ 3,299,644	\$ 4,083,073	\$ 3,915,901
Operating Grants and Contributions	75,482	65,940	-	-	75,482	65,940
Capital Grants and Contributions	143,807	1,018,140	-	-	143,807	1,018,140
General Revenues						
Taxes	3,855,942	3,800,206	-	-	3,855,942	3,800,206
Business Licenses	2,281,637	2,168,072	-	-	2,281,637	2,168,072
Grants and contributions not restricted to specific programs	137,166	237,122	-	-	137,166	237,122
Investment earnings	4,483	6,014	1,204	1,855	5,687	7,869
Total revenues	<u>7,154,803</u>	<u>7,911,751</u>	<u>3,427,991</u>	<u>3,301,499</u>	<u>10,582,794</u>	<u>11,213,250</u>
Expenses						
Mayor and Council	205,302	286,003	-	-	205,302	286,003
Housing Project	15,404	403	-	-	15,404	403
Public Safety	-	3,094,608	-	-	-	3,094,608
Police	2,575,561	-	-	-	2,575,561	-
Fire	926,880	-	-	-	926,880	-
Economic Development	-	-	-	68,479	-	68,479
Great Swamp	-	3,425	-	-	-	3,425
Parks	518,695	456,795	-	-	518,695	456,795
Tourism Development	461,868	405,642	-	-	461,868	405,642
Finance	376,923	417,064	-	-	376,923	417,064
City Manager	234,493	286,797	-	-	234,493	286,797
Public Works	1,032,399	1,407,087	-	-	1,032,399	1,407,087
Codes Enforcement	266,386	259,744	-	-	266,386	259,744
Judicial	161,538	162,026	-	-	161,538	162,026
Sanitation	477,421	424,459	-	-	477,421	424,459
Non-Department Support	78,050	426,366	-	-	78,050	426,366
Reserve Accounts	298,563	330,136	-	-	298,563	330,136
Interest Expense	99,896	104,843	86,931	94,044	186,827	198,887
Water	-	-	1,148,318	1,031,462	1,148,318	1,031,462
Sewer	-	-	1,314,793	957,505	1,314,793	957,505
Utility Support	-	-	133,975	148,006	133,975	148,006
Total expenses	<u>7,729,379</u>	<u>8,065,398</u>	<u>2,684,017</u>	<u>2,299,496</u>	<u>10,413,396</u>	<u>10,364,894</u>
Change in net position before transfers	<u>(574,576)</u>	<u>(153,647)</u>	<u>743,974</u>	<u>1,002,003</u>	<u>169,398</u>	<u>848,356</u>
Transfers	<u>992,103</u>	<u>712,358</u>	<u>(992,103)</u>	<u>(712,358)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>417,527</u>	<u>558,711</u>	<u>(248,129)</u>	<u>289,645</u>	<u>169,398</u>	<u>848,356</u>
Net position – beginning	11,086,260	10,527,549	18,944,541	18,654,896	30,030,801	29,182,445
Prior period adjustment	<u>(5,134,215)</u>	<u>-</u>	<u>(984,477)</u>	<u>-</u>	<u>(6,118,692)</u>	<u>-</u>
Net position – ending	<u>\$ 6,369,572</u>	<u>\$ 11,086,260</u>	<u>\$ 17,711,935</u>	<u>\$ 18,944,541</u>	<u>\$ 24,081,507</u>	<u>\$ 30,030,801</u>

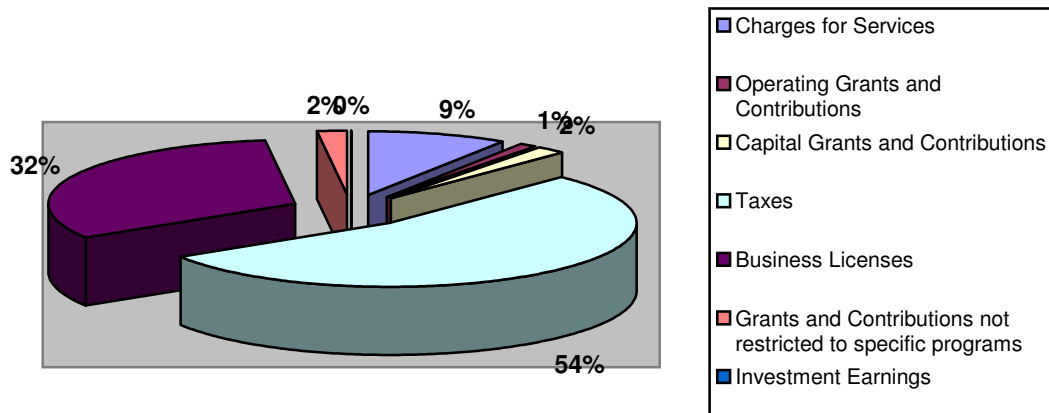
- Capital grants for governmental activities decreased due to grants of \$772,209 for N. Lemacks, Doodle Hill, and police were closed out in prior year.
- Grants and contributions not restricted were down because of a grant of \$50,000 and \$25,000 members' portion from the dissolution of the previous insurance carrier received in the prior year.
- The public safety department was split into police and fire functions for fiscal year 2015.
- Utility support was moved from public works in governmental activities to the water and sewer in business-type activities and is reflected as a decrease in expenses for public works and an increase in expenses in business-type activities. Likewise, the transfers from the water and sewer fund to the general fund were adjusted to reflect this change in reporting.
- Tourism expenses were up because of a \$60,000 contribution to the Colleton County golf course.
- Non-department support contained a settlement of a legal dispute of \$420,000 in the prior year.

- Overall total expenses of the governmental activities are comparable to prior total expenses. Other departments experienced some fluctuations that related to repairs and maintenance and other one time costs.
- The prior period adjustment is to report a pension liability for the cost sharing pension plan (SCRS and PORS) in accordance with a change in generally accepted accounting principles. This restatement resulted in a decrease in the net position of governmental activities of \$5,134,215.

Expenses and Program Revenues – Governmental Activities



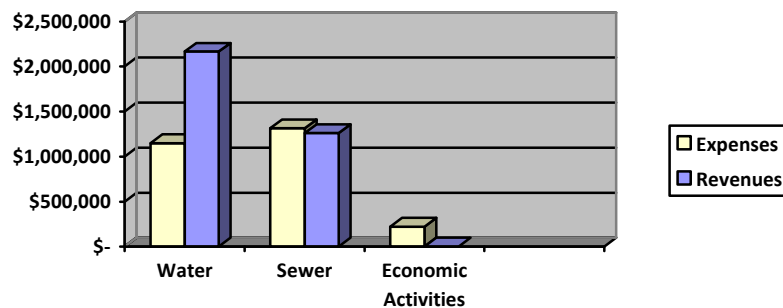
Revenues by Source – Governmental Activities



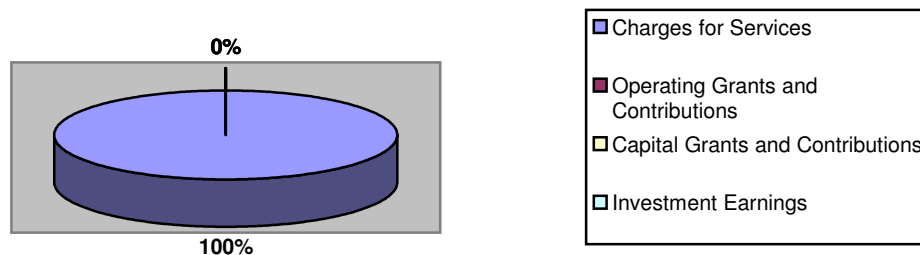
Business-type activities. Business-type activities decreased the City's net position by \$248,129. The water and sewer activities account for the entire decrease. Key elements of this increase are as follows:

- Charges for services are up because water and sewer revenues were more than budgeted.
- Overall expenses were up because utility support was moved from public works in governmental activities to the sewer and utility support in business-type activities and is reflected as a decrease in expenses for public works and an increase in expenses in sewer and utility support in business-type activities.
- Transfers to the general fund decreased because of the transfer of public works employees to the sewer and utility support.
- The economic development director's position was not budgeted for current year.
- The prior period adjustment is to report a pension liability for the cost sharing pension plan (SCRS and PORS) in accordance with a change in generally accepted accounting principles. This restatement resulted in a decrease in the net position of \$984,477 in 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 \$5,436,361, an increase of \$118,754 in comparison to a decrease of \$432,705 for the prior year.

The fund balance of the City's general fund increased by \$314,566 during the current fiscal year compared to a \$1,398,252 increase last year. Key factors related to this increase for the prior year was the transfer in of the assets reported in the equipment replacement fund to the general fund. The current year increase is more indicative of normal operations.

The fund balance of the City's capital projects fund decreased by \$297,879 during the current fiscal year for capital outlay primarily related to the I95 Loop Project.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets as of June 30, 2015 amounts to \$30,526,480 (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 \$31,550, Storm Drainage of \$38,921, sewer for \$33,850, Water for \$124,657 and \$38,220 for Other Building Improvements.
- Continued progress on the I-95 Loop Project for \$282,728.
- Various vehicles and other equipment for \$403,835.

CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS						
	Governmental Activities		Business - Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Land Improvements	\$ 1,257,063	\$ 1,257,063	\$ 44,773	\$ 44,773	\$ 1,301,836	\$ 1,301,836
Construction in progress	771,102	721,934	189,988	31,481	961,090	753,415
Buildings and Improvements	2,677,466	2,512,059	58,591	39,125	2,736,057	2,551,184
Machinery and Equipment	675,452	862,438	89,250	104,200	764,702	966,638
Vehicles	1,421,640	1,343,345	56,572	48,680	1,478,212	1,392,025
Infrastructure	2,769,466	2,853,129	20,515,117	21,201,103	23,284,583	24,054,232
Total	<u>\$ 9,572,189</u>	<u>\$ 9,549,968</u>	<u>\$ 20,954,291</u>	<u>\$ 21,469,362</u>	<u>\$ 30,526,480</u>	<u>\$ 31,019,330</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 \$13,543,113. The City incurred a new capital lease of \$204,965 for the purchase of a garbage truck and paid \$833,909 in scheduled principal payments. The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in accordance with generally accepted accounting principles and is reporting its proportionate share of the net pension liability. Changes in outstanding debt are summarized below.

CITY OF WALTERBORO, SOUTH CAROLINA OUTSTANDING OBLIGATION						
	Governmental Activities		Business -Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 1,458,487	\$ 1,613,247	\$ -	\$ -	\$ 1,458,487	\$ 1,613,247
Revenue Bonds	1,537,947	1,778,649	3,751,769	4,084,934	5,289,716	5,863,583
Capital Lease	403,417	303,734	-	-	403,417	303,734
Annual Leave	183,552	170,389	39,173	24,015	222,725	194,404
Net Pension Liability	5,176,235	5,470,705 *	992,533	1,048,998 *	6,168,768	6,519,703
Total	<u>\$ 8,759,638</u>	<u>\$ 9,336,724</u>	<u>\$ 4,783,475</u>	<u>\$ 5,157,947</u>	<u>\$ 13,543,113</u>	<u>\$ 14,494,671</u>

*Beginning net position was restated in accordance with generally accepted accounting principles for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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 \$1,989,398 of which \$1,458,487 is outstanding.

Additional information on the City's long-term obligations can be found in note 7 beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

- While the national economy is tipping into recession, the city has experienced continued growth in the retail and hospitality sectors which has stabilized the local economy. Local accommodation taxes remained flat while local hospitality had an increase of 5%.
- Property taxes increased by 5% primarily due to an increased collection of vehicle taxes.
- 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 \$314,566. The City set the millage for the 2016 budget at 88.0 mills. Budgeted general fund expenditures for 2016 are projected to be \$7,378,848. This represents an increase of \$344,051 compared to budgeted expenditures in 2015. Also, the City has budgeted \$3,517,738 in expenditures for the proprietary fund in 2016, an increase of \$85,894 compared to budgeted expenditures in 2015 the proprietary fund in 2016, an increase of \$85,894 compared to budgeted expenditures in 2015.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 5,426,921	\$ 848,347	\$ 6,275,268
Receivables	652,891	667,930	1,320,821
Prepaid Expenses	3,558	-	3,558
Inventories	-	211,927	211,927
Notes Receivable	4,235	-	4,235
Restricted Cash	-	216,921	216,921
Capital Assets, being depreciated	7,544,024	20,719,530	28,263,554
Capital Assets, not being depreciated	2,028,165	234,761	2,262,926
Total Assets	<u>15,659,794</u>	<u>22,899,416</u>	<u>38,559,210</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows on Net Pension Liability	<u>516,235</u>	<u>97,929</u>	<u>614,164</u>
Total Deferred Outflows of Resources	<u>516,235</u>	<u>97,929</u>	<u>614,164</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 16,176,029</u></u>	<u><u>\$ 22,997,345</u></u>	<u><u>\$ 39,173,374</u></u>
LIABILITIES			
Accounts Payable	\$ 148,691	\$ 57,764	\$ 206,455
Salaries and Benefits Payable	392,346	27,456	419,802
Interest Payable	9,608	6,649	16,257
Unearned Revenues	-	48,085	48,085
Customer Deposits	-	266,841	266,841
Noncurrent Liabilities:			
Due within one year	543,151	343,924	887,075
Due in more than one year	<u>8,216,487</u>	<u>4,439,551</u>	<u>12,656,038</u>
Total Liabilities	<u>9,310,283</u>	<u>5,190,270</u>	<u>14,500,553</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Net Pension Liability	<u>496,174</u>	<u>95,140</u>	<u>591,314</u>
Total Deferred Inflows of Resources	<u>496,174</u>	<u>95,140</u>	<u>591,314</u>
NET POSITION			
Unrestricted	(1,143,143)	292,491	(850,652)
Restricted:			
Debt Service Escrow	-	216,921	216,921
Tourism	504,696	-	504,696
Other	110,055	-	110,055
Net Investment in Capital Assets	<u>6,897,964</u>	<u>17,202,523</u>	<u>24,100,487</u>
Total Net Position	<u>6,369,572</u>	<u>17,711,935</u>	<u>24,081,507</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 16,176,029</u></u>	<u><u>\$ 22,997,345</u></u>	<u><u>\$ 39,173,374</u></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, 2015**

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	\$ 205,302	\$ -	\$ -	\$ -	\$ (205,302)	\$ -	\$ (205,302)
Housing Project	15,404	-	15,311	-	(93)	-	(93)
Police	2,575,561	169,568	43,610	-	(2,362,383)	-	(2,362,383)
Fire	926,880	-	16,561	-	(910,319)	-	(910,319)
Parks	518,695	-	-	-	(518,695)	-	(518,695)
Tourism Development	461,868	-	-	-	(461,868)	-	(461,868)
Finance	376,923	-	-	-	(376,923)	-	(376,923)
City Manager	234,493	-	-	-	(234,493)	-	(234,493)
Public Works	1,032,399	423,963	-	143,807	(464,629)	-	(464,629)
Codes Enforcement	266,386	50,357	-	-	(216,029)	-	(216,029)
Judicial	161,538	1,073	-	-	(160,465)	-	(160,465)
Sanitation	477,421	11,325	-	-	(466,096)	-	(466,096)
Non-Department Support	78,050	-	-	-	(78,050)	-	(78,050)
Reserve Accounts	298,563	-	-	-	(298,563)	-	(298,563)
Interest on long-term debt	99,896	-	-	-	(99,896)	-	(99,896)
Total Governmental Activities	<u>\$ 7,729,379</u>	<u>\$ 656,286</u>	<u>\$ 75,482</u>	<u>\$ 143,807</u>	<u>\$ (6,853,804)</u>	<u>\$ -</u>	<u>\$ (6,853,804)</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, 2015**

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	\$ 1,148,318	\$ 2,165,111	\$ -	\$ -	\$ -	\$ 1,016,793	\$ 1,016,793
Sewer	1,314,793	1,261,676	-	-	-	(53,117)	(53,117)
Utility Support	133,975	-	-	-	-	(133,975)	(133,975)
Interest on long-term debt	86,931	-	-	-	-	(86,931)	(86,931)
Total Business-type Activities	<u>2,684,017</u>	<u>3,426,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,770</u>	<u>742,770</u>
Total Primary Government	<u>\$ 10,413,396</u>	<u>\$ 4,083,073</u>	<u>\$ 75,482</u>	<u>\$ 143,807</u>	<u>\$ (6,853,804)</u>	<u>\$ 742,770</u>	<u>\$ (6,111,034)</u>
General Revenues							
Property Taxes					1,698,257	-	1,698,257
Local Option Sales Taxes					1,247,707	-	1,247,707
Hospitality and Accommodations Taxes					909,978	-	909,978
Business Licenses					2,281,637	-	2,281,637
Grants and Contributions not restricted to specific programs					137,166	-	137,166
Investment Earnings					4,483	1,204	5,687
Transfers					992,103	(992,103)	-
Total General Revenues and Transfers					<u>7,271,331</u>	<u>(990,899)</u>	<u>6,280,432</u>
Change in Net Position					417,527	(248,129)	169,398
Net Position, Beginning					11,086,260	18,944,541	30,030,801
Prior Period Restatement-see note 14					<u>(5,134,215)</u>	<u>(984,477)</u>	<u>(6,118,692)</u>
Net Position, Ending					<u>\$ 6,369,572</u>	<u>\$ 17,711,935</u>	<u>\$ 24,081,507</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, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 4,575,659	\$ 350,874	\$ 500,388	\$ 5,426,921
Receivables	501,919	10,765	140,207	652,891
Prepays or Deposits	3,558	-	-	3,558
Notes Receivable	-	-	4,235	4,235
Total Assets	<u>\$ 5,081,136</u>	<u>\$ 361,639</u>	<u>\$ 644,830</u>	<u>\$ 6,087,605</u>
LIABILITIES				
Accounts Payable	\$ 89,967	\$ 22,616	\$ 36,108	\$ 148,691
Salaries and Benefits Payable	392,346	-	-	392,346
Total Liabilities	<u>482,313</u>	<u>22,616</u>	<u>36,108</u>	<u>541,037</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	105,972	-		105,972
Unavailable revenues-revolving loans	-	-	4,235	4,235
Total Deferred Inflows of Resources	<u>105,972</u>	<u>-</u>	<u>4,235</u>	<u>110,207</u>
FUND BALANCES				
Unassigned	4,489,293	-	-	4,489,293
Nonspendable	3,558	-	-	3,558
Assigned	-	328,759	-	328,759
Restricted	-	10,264	99,791	110,055
Committed	-	-	504,696	504,696
Total Fund Balances	<u>4,492,851</u>	<u>339,023</u>	<u>604,487</u>	<u>5,436,361</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,081,136</u>	<u>\$ 361,639</u>	<u>\$ 644,830</u>	<u>\$ 6,087,605</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, 2015

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

Total fund balances for governmental funds	\$	5,436,361
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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		771,102	
Buildings and Improvements, net of \$1,346,619 accumulated depreciation		2,677,466	
Machinery and Equipment, net of \$1,488,509 accumulated depreciation		675,452	
Vehicles, net of \$2,489,856 accumulated depreciation		1,421,640	
Infrastructure, net of \$287,357 accumulated depreciation		<u>2,769,466</u>	
Total Capital Assets			9,572,189

Deferred outflows and inflows of resources represents amounts applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:		516,235	
Related to pensions			
Deferred inflows of resources:			
Related to pensions		(496,174)	
Related to receivables		<u>110,207</u>	
Total deferred outflows and inflows of resources			130,268

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, 2015 are:

Accrued Interest Payable		(9,608)	
Bonds Payable		(2,996,434)	
Capital Leases		(403,417)	
Net Pension Liability		(5,176,235)	
Accrued Compensated Absences		<u>(183,552)</u>	
Total Long-Term Liabilities			<u>(8,769,246)</u>

Total net position of governmental activities	\$	<u><u>6,369,572</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, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,953,826	\$ -	\$ 873,786	\$ 3,827,612
Fines, Fees and Licenses	2,926,598	-	-	2,926,598
Intergovernmental	118,159	-	-	118,159
Miscellaneous	93,966	105,519	75,076	274,561
Total Revenues	<u>6,092,549</u>	<u>105,519</u>	<u>948,862</u>	<u>7,146,930</u>
EXPENDITURES				
Current				
Mayor and Council	204,330	-	-	204,330
Housing Project	-	-	15,404	15,404
Police	2,289,891	5,252	18,252	2,313,395
Fire	874,016	-	1,373	875,389
Parks	372,497	-	-	372,497
Tourism Development	118,515	-	344,507	463,022
Finance	374,667	-	-	374,667
City Manager	222,423	-	-	222,423
Public Works	853,211	39,530	-	892,741
Codes Enforcement	259,711	-	-	259,711
Judicial	162,048	-	-	162,048
Sanitation	395,657	-	-	395,657
Non-Department Support	78,050	-	-	78,050
Reserve Accounts	298,563	-	-	298,563
Capital Outlay				
Police	140,674	-	-	140,674
Sanitation	-	204,957	-	204,957
Public Works	67,022	282,727	-	349,749
Debt Service				
Principal	260,041	-	240,703	500,744
Interest	57,167	-	44,056	101,223
Total Expenditures	<u>7,028,483</u>	<u>532,466</u>	<u>664,295</u>	<u>8,225,244</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Debt	-	204,965	-	204,965
Transfers In	1,253,500	-	3,000	1,256,500
Transfers Out	(3,000)	(57,897)	(203,500)	(264,397)
Total Other Financing Sources (Uses)	<u>1,250,500</u>	<u>147,068</u>	<u>(200,500)</u>	<u>1,197,068</u>
Net Change in Fund Balances	314,566	(279,879)	84,067	118,754
Fund Balances, Beginning	4,174,727	618,902	520,420	5,314,049
Fund Balances, Ending	<u>\$ 4,489,293</u>	<u>\$ 339,023</u>	<u>\$ 604,487</u>	<u>\$ 5,432,803</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, 2015

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	\$	118,754
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 (\$695,381) exceeded depreciation (\$666,465) in the current period.		28,916
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease in net position.		(6,695)
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.		(204,965)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		500,744
Governmental funds reports pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	\$ (394,664)	
Cost of benefits earned net of employee contributions	<u>372,705</u>	
Net change in pension contributions		(21,959)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		14,568
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	(13,163)	
Accrued interest	<u>1,327</u>	
Net change in expenses		<u>(11,836)</u>
Total change in net position of governmental activities	\$	<u><u>417,527</u></u>

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

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities
	Enterprise Funds
	Water and Sewer
ASSETS	
Current Assets	
Cash	\$ 848,347
Receivables	667,930
Inventories	211,927
Total Current Assets	<u>1,728,204</u>
Noncurrent Assets	
Restricted Cash	216,921
Capital Assets - not being depreciated	234,761
Capital Assets - being depreciated	20,719,530
Total Noncurrent Assets	<u>21,171,212</u>
Total Assets	<u>22,899,416</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows on Net Pension Liability	97,929
Total Deferred Outflows of Resources	<u>97,929</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 22,997,345</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 57,764
Salaries and Benefits Payable	27,456
Interest Payable	6,649
Compensated Absences - current	5,000
Revenue Bonds Payable - current	338,924
Customer Deposits	266,841
Deferred Revenue	48,085
Total Current Liabilities	<u>750,719</u>
Noncurrent Liabilities	
Revenue Bonds Payable	3,412,845
Net Pension Liability	992,533
Compensated Absences	34,173
Total Noncurrent Liabilities	<u>4,439,551</u>
Total Liabilities	<u>5,190,270</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows on Net Pension Liability	95,140
Total Deferred Inflows of Resources	<u>95,140</u>
NET POSITION	
Unrestricted	292,491
Restricted for Debt Escrow	216,921
Net Investment in Capital Assets	17,202,523
Total Net Position	<u>17,711,935</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 22,997,345</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, 2015

	Business-type Activities
	Enterprise Funds
	Water and Sewer
OPERATING REVENUES	
Charges for Services	
Water Sales	\$ 2,165,111
Sewer Charges	1,261,676
Total Operating Revenues	<u>3,426,787</u>
OPERATING EXPENSES	
Costs of Sales and Services	
Water	765,734
Sewer	955,476
Utility Support	110,466
Depreciation	741,901
Bad Debt Expense	19,334
Total Operating Expenses	<u>2,592,911</u>
Operating Income	<u>833,876</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	1,204
Interest Expense	(86,931)
Bank Charges	(4,175)
Total Nonoperating Revenues (Expenses)	<u>(89,902)</u>
Income Before Contributions and Transfers	743,974
Operating Transfers In	57,897
Operating Transfers Out	<u>(1,050,000)</u>
Change in Net Position	(248,129)
Net Position, Beginning	18,944,541
Prior Period Adjustment-see note 14	(984,477)
Net Position, Ending	<u><u>\$ 17,711,935</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, 2015

	Business-type Activities
	Enterprise Funds
	Water and Sewer
Cash Flows From Operating Activities	
Cash received from customers	\$ 3,428,301
Cash paid for operating goods and services	(1,288,678)
Cash paid to employees	(553,172)
Net Cash Provided (Used) by Operating Activities	<u>1,586,451</u>
Cash Flows From Noncapital Financing Activities	
Transfers between other funds	(992,103)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(992,103)</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(338,165)
Interest paid on capital debt	(91,799)
Acquisition and construction of capital assets	(226,830)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(656,794)</u>
Cash Flows From Investing Activities	
Interest received on investments	1,204
Net Cash Provided (Used) by Investing Activities	<u>1,204</u>
 NET INCREASE (DECREASE) IN CASH	 (61,242)
 CASH AT BEGINNING OF YEAR	 <u>1,126,510</u>
 CASH AT END OF YEAR	 <u><u>\$ 1,065,268</u></u>
 Reconciliation of Net Income (Loss) to Net	
Cash Provided (Used) by Operating Activities	
Operating income	\$ 833,876
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	741,901
(Increase) decrease in accounts receivable	(2,744)
(Increase) decrease in inventories	(25,824)
Increase (decrease) in accounts payable	2,095
Increase (decrease) in salaries and benefits payable	7,464
Increase (decrease) in net pension liability and related accounts	5,267
Increase (decrease) in annual leave	20,158
Increase (decrease) in customer deposits	4,258
Total adjustments	<u>752,575</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,586,451</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, 2015

	Post Retirement Fund	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash	\$ 1,098,897	\$ 25,588
Total Assets	<u>\$ 1,098,897</u>	<u>\$ 25,588</u>
	<hr/>	<hr/>
LIABILITIES		
Liabilities		
Due to Others	\$ -	\$ 25,588
Total Liabilities	<u>\$ -</u>	<u>\$ 25,588</u>
	<hr/>	<hr/>
Net Position		
Held in trust for employee health benefits	\$ 1,098,897	
Total Net Position	<u>\$ 1,098,897</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, 2015**

	Post Retirement Fund
Additions	
Employer Contributions	\$ 244,510
Investment Income (Loss)	28,524
Total Additons	<u>273,034</u>
Deductions	
Administrative Expense	<u>10,720</u>
Total Deductions	<u>10,720</u>
Change in Net Position	262,314
Net Position, Beginning of Year	<u>836,583</u>
Net Position, End of Year	<u><u>\$ 1,098,897</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, 2015

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 capital 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, 2015

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, 2015

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, 2015

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, 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, 2015

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 reports deferred outflows related to its net pension liability in the statement of net position.

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. The statement of net position reports deferred inflows related to its net pension liability.

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, 2015

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 2015 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, 2015

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 were no supplemental appropriations approved by City Council during the year.

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, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The LGIP 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 LGIP 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, 2015, the bank balances were \$6,709,588. 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, 2015.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

Receivables	General	Capital Project Funds	Other Governmental Funds	Water and Sewer Fund	Total
Taxes	\$ 684,213	\$ -	\$ 138,678	\$ -	\$ 822,891
Fines and Fees	71,475	-	1,529	-	73,004
Intergovernmental	27,400	-	-	-	27,400
Accounts	35	-	-	759,827	759,862
Other	14,000	10,765	-	13,750	38,515
Gross receivables	797,123	10,765	140,207	773,577	1,721,672
Allowance for uncollectible accounts	(295,204)	-	-	(105,647)	(400,851)
Net total receivables	<u>\$ 501,919</u>	<u>\$ 10,765</u>	<u>\$ 140,207</u>	<u>\$ 667,930</u>	<u>\$ 1,320,821</u>

The net amount of delinquent taxes receivable at June 30, 2015 is \$117,991, of that amount \$105,972 is not expected to be collected within 60 days. Also, \$4,235 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, 2015

NOTE 4 – RECEIVABLES (CONTINUED)

Notes Receivable

The City has notes receivable from various individuals for \$6,234 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 \$4,235 is to be recognized as the payments are collected.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

Governmental Activities	June 30, 2014	Increases	Decreases	June 30, 2015
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,257,063	\$ -	\$ -	\$ 1,257,063
Construction in progress	721,934	321,649	272,481	771,102
Total capital assets, not being depreciated	<u>1,978,997</u>	<u>321,649</u>	<u>272,481</u>	<u>2,028,165</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,771,336	252,749	-	4,024,085
Machinery and equipment	2,154,069	9,892	-	2,163,961
Vehicles	3,761,834	352,022	202,360	3,911,496
Infrastructure	3,025,273	31,550	-	3,056,823
Total capital assets being depreciated	<u>12,712,512</u>	<u>646,213</u>	<u>202,360</u>	<u>13,156,365</u>
Less accumulated depreciation for:				
Buildings and improvements	1,259,277	87,342	-	1,346,619
Machinery and equipment	1,291,631	196,878	-	1,488,509
Vehicles	2,418,489	267,032	195,665	2,489,856
Infrastructure	172,144	115,213	-	287,357
Total accumulated depreciation	<u>5,141,541</u>	<u>666,465</u>	<u>195,665</u>	<u>5,612,341</u>
Total capital assets being depreciated, net	<u>7,570,971</u>	<u>(20,252)</u>	<u>6,695</u>	<u>7,544,024</u>
Governmental activity capital assets, net	<u>\$ 9,549,968</u>	<u>\$ 301,397</u>	<u>\$ 279,176</u>	<u>\$ 9,572,189</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Business-Type	June 30, 2014	Increases	Decreases	June 30, 2015
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Construction in progress	31,481	158,507		189,988
Total capital assets, not being depreciated	<u>76,254</u>	<u>158,507</u>	<u>-</u>	<u>234,761</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	15,871,208	-	-	15,871,208
Sewer system and improvements	15,647,371	-	-	15,647,371
Buildings and improvements	223,569	26,402	-	249,971
Machinery and equipment	681,904	15,836	-	697,740
Vehicles	287,777	26,085	38,851	275,011
Total capital assets being depreciated	<u>32,711,829</u>	<u>68,323</u>	<u>38,851</u>	<u>32,741,301</u>
Less accumulated depreciation for:				
Water system and improvements	4,573,806	339,552		4,913,358
Sewer system and improvements	5,743,670	346,434		6,090,104
Buildings and improvements	184,444	6,936		191,380
Machinery and equipment	577,704	30,786		608,490
Vehicles	239,097	18,193	38,851	218,439
Total accumulated depreciation	<u>11,318,721</u>	<u>741,901</u>	<u>38,851</u>	<u>12,021,771</u>
Total capital assets being depreciated, net	<u>21,393,108</u>	<u>(673,578)</u>	<u>-</u>	<u>20,719,530</u>
Business-type activity capital assets, net	<u>\$ 21,469,362</u>	<u>\$ (515,071)</u>	<u>\$ -</u>	<u>\$ 20,954,291</u>

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

Governmental Activities	
City Manager	\$ 8,001
Finance	1,399
Fire	42,486
Mayor and Council	498
Parks, Recreation and Tourism	141,455
Planning and Codes	5,889
Police	239,213
Public Works	148,760
Sanitation	78,764
Total depreciation expense - governmental activities	<u>\$ 666,465</u>
Business-Type Activities	
Water	\$ 382,584
Sewer	359,317
Total depreciation expense - business-type activities	<u>\$ 741,901</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Transfer Out	Transfers In			
	General Fund	Other Governmental Funds	Water & Sewer	Total
General Fund	\$ -	\$ 3,000	\$ -	\$ 3,000
Capital Projects	-	-	57,897	57,897
Water and Sewer Fund	1,050,000	-	-	1,050,000
Other Governmental Funds	203,500	-	-	203,500
Total transfers out	<u>\$1,253,500</u>	<u>\$ 3,000</u>	<u>\$ 57,897</u>	<u>\$ 1,314,397</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.

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

Governmental Activities	June 30, 2014	Increases	Decreases	June 30, 2015	Due Within A Year
Bonds Payable:					
General obligation	\$1,613,247	\$ -	\$ 154,760	\$1,458,487	\$ 159,127
Tax increment financing debt	939,456	-	127,135	812,321	130,246
Revenue bond	839,193	-	113,567	725,626	116,345
Total bonds	<u>3,391,896</u>	<u>-</u>	<u>395,462</u>	<u>2,996,434</u>	<u>405,718</u>
Capital lease	303,734	204,965	105,282	403,417	112,433
Net Pension Liability*	5,470,705	538,194	832,664	5,176,235	-
Compensated absences	170,389	154,949	141,786	183,552	25,000
Total	<u>\$9,336,724</u>	<u>\$ 898,108</u>	<u>\$1,475,194</u>	<u>\$8,759,638</u>	<u>\$ 543,151</u>
Business-Type Activities	June 30, 2014	Increases	Decreases	June 30, 2015	Due Within A Year
Bonds Payable:					
Revenue bonds	\$4,084,934	\$ -	\$ 333,165	\$3,751,769	\$ 338,924
Net Pension Liability*	1,048,998	103,196	159,661	992,533	-
Compensated absences	24,015	40,017	24,859	39,173	5,000
Total	<u>\$5,157,947</u>	<u>\$ 143,213</u>	<u>\$ 517,685</u>	<u>\$4,783,475</u>	<u>\$ 343,924</u>

* Beginning balance was restated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as discussed in Note 14.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term debt payable at June 30, 2015 is comprised of the following:

Capital Leases

The City entered into leasing agreements for the purchase of vehicles 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:

Vehicles and radios	\$ 757,056
Less accumulated depreciation	(212,264)
Net book value	<u>\$ 544,792</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2016	\$ 118,542
2017	118,542
2018	118,542
2019	42,691
2020	21,346
Total	<u>419,663</u>
Less amount representing interest	(16,246)
Present value of minimum lease payments	<u>\$ 403,417</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>\$ 1,458,487</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>
2016	\$ 159,127	\$ 46,531	\$ 205,658
2017	163,623	42,035	205,658
2018	168,253	37,405	205,658
2019	173,122	32,636	205,758
2020	102,155	27,727	129,882
2021-2025	566,705	82,705	649,410
2026	125,502	4,380	129,882
Total	<u>\$ 1,458,487</u>	<u>\$ 273,419</u>	<u>\$ 1,731,906</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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%.

\$ 812,321

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>
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	144,735	5,670	150,405
2021	125,345	2,619	127,964
Total	<u>\$ 812,321</u>	<u>\$ 67,672</u>	<u>\$ 879,993</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%.

\$ 725,626

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>
2016	\$ 116,345	\$ 18,008	\$ 134,353
2017	119,454	14,899	134,353
2018	122,646	11,707	134,353
2019	125,924	8,430	134,354
2020	129,289	5,065	134,354
2021-2022	111,968	2,342	114,310
Total	<u>\$ 725,626</u>	<u>\$ 60,451</u>	<u>\$ 786,077</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.	\$ 1,321,543
\$378,153 Series 2011A, due in quarterly installments of \$2,080 at 2.04% through May 2016.	22,651
\$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% through December 2030.	<u>2,407,575</u>
	<u><u>\$ 3,751,769</u></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>
2016	\$ 338,924	\$ 79,786	\$ 418,710
2017	324,846	71,985	396,831
2018	331,657	64,174	395,831
2019	339,717	56,114	395,831
2020	348,032	47,799	395,831
2021-2025	1,163,719	137,798	1,301,517
2026-2030	859,622	49,578	909,200
2031	45,252	231	45,483
Total	<u><u>\$ 3,751,769</u></u>	<u><u>\$ 507,465</u></u>	<u><u>\$ 4,259,234</u></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, 2015 amounted to \$183,552 and \$39,173, 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, 2015**

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, 2015, the City contributed \$243,735 to the plan and is paid from the general fund.

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	\$ 297,591
Less: Implicit Benefits	<u>(10,500)</u>
Annual OPEB cost (expense)	287,091
Health insurance premiums paid	(43,356)
Contributions made	<u>(243,735)</u>
decrease in net OPEB obligation	-
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	<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 2015 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 294,314	100.0%	-
2014	244,510	100.0%	-
2015	243,735	100.0%	-

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2015 was as follows. The actuarial accrued liability for benefits was \$2,478,614 and the actuarial value of assets was \$1,098,897, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,379,717. 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 57.57 percent.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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)
6/30/2013	\$ 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%
6/30/2015	1,098,897	2,478,614	1,379,717	44.34%	2,396,744	57.57%

Pension Plan

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

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

Membership

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

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

Benefits

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

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

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

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Net Pension Liability

At June 30, 2015, the City of Walterboro reported a liability of \$5,176,235 in Governmental Activities and \$992,533 in Business-type Activities for a total of \$6,168,768 for its proportionate share of the net pension liability. The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

For the year ended June 30, 2015, the City of Walterboro recognized pension expense of \$436,820. At June 30, 2015, the City of Walterboro reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,052	\$ -
Net difference between projected and actual earnings on pension plan investments	-	591,314
Contributions subsequent to the measurement date	443,112	-
Total	<u>\$ 614,164</u>	<u>\$ 591,314</u>

The contributions applied to the pension liability of \$443,112 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The following schedule reflects the amortization of remaining deferred outflows/(inflows) of resources at June 30, 2014. Average remaining services lives of all employees provided with pension through the pension plans at June 30, 2014 was 4.233 years for SCRS and 4.856 years for PORS.

<u>Year End June 30,</u>	SCRS	PORS
2015	\$ (48,017)	\$ (49,928)
2016	(48,017)	(49,928)
2017	(48,017)	(49,928)
2018	(74,236)	(52,191)
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ (218,287)</u>	<u>\$ (201,975)</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	Levels off at 3.5%	Levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefits adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Member of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Pension Plan (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%	0.09	0.03
Domestic Fixed Income	13.0%	7.40	0.26
Global Fixed Income	9.0%	4.90	0.27
Global Public Equity	31.0%	7.80	2.42
Global Tactical Asset Allocation	10.0%	5.10	0.51
Alternatives	32.0%	35.40	2.39
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.0% Decrease (6.5%)	Discount Rate (7.5%)	1.0% Increase (8.5%)
SCRS	\$ 5,046,742	\$ 3,899,923	\$ 2,943,827
PORS	\$ 3,170,572	\$ 2,268,788	\$ 1,522,636

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payables to the Pension Plan

At June 30, 2015, the City had made all required contributions to the pension plan and had no outstanding payables.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 – 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.

NOTE 9 – 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 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 10 – 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.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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.

NOTE 11 – NET POSITION

	Governmental Activities	Business-type Activities
<u>Net Investment in Capital Assets</u>		
Capital assets	\$ 9,572,189	\$ 20,954,291
Long-term debt	(8,759,638)	(4,783,474)
Add: Compensated absences included above	183,552	39,173
Net Pension Liability	5,176,235	992,533
Debt on VA facility not owned by the City	725,626	-
Net Investment in Capital Assets	<u>\$ 6,897,964</u>	<u>\$ 17,202,523</u>

NOTE 12 – 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	\$ 179,815
Hospitality Tax	324,881
Total Committed Fund Balance	<u>\$ 504,696</u>
<u>Restricted</u>	
State accommodations tax restricted by the state for tourism	\$ 51,443
1% Funds restricted for firemen	12,188
Unspent grant funds restricted by the grant	10,264
Housing project funds restricted for low income housing projects	28,817
Victims witness funds restricted to expenditures to assist victims	7,343
Total Restricted Fund Balance	<u>\$ 110,055</u>
<u>Proprietary Fund</u>	
<u>Restricted</u>	
Funds restricted by bond ordinance for a debt service reserve	\$ 216,921
Total Restricted Net Position	<u>\$ 216,921</u>

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2015, the date the financial statements were issued, and determined that the following significant event has occurred: The City has signed a contract in the amount of \$425,000 for the purchase of property at 300 Hampton Street to be used for office facilities. Funding is expected to come from the general fund balance.

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION

In accordance with generally accepted accounting principles for fiscal year 2015, the City of Walterboro made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which require the restatement of the June 30, 2014 net position in Governmental and Business-type Activities. The result is a decrease in net position at July 1, 2014 of \$5,134,215 in Governmental Activities and \$984,477 in Business-type Activities.

Governmental Activities	
Net Position June 30, 2014, as Previously Reported	\$ 11,086,260
Pension Liability, Net	(5,134,215)
Net Position, July 1, 2014, as restated	<u>\$ 5,952,045</u>
Business-type Activities	
Net Position June 30, 2014, as Previously Reported	\$ 18,944,541
Pension Liability, Net	(984,477)
Net Position, July 1, 2014, as restated	<u>\$ 17,960,064</u>

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, 2015

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 2,735,000	\$ 2,735,000	\$ 2,953,826	\$ 218,826
Fines, Fees and Licenses	2,732,500	2,732,500	2,926,598	194,098
Intergovernmental	116,000	116,000	118,159	2,159
Miscellaneous	151,421	151,421	93,966	(57,455)
Total Revenues	<u>5,734,921</u>	<u>5,734,921</u>	<u>6,092,549</u>	<u>357,628</u>
EXPENDITURES				
Current				
Mayor and Council	191,767	191,767	204,330	(12,563)
Police	2,299,946	2,299,946	2,289,891	10,055
Fire	920,879	920,879	874,016	46,863
Parks	405,476	405,476	372,497	32,979
Tourism Development	137,186	137,186	118,515	18,671
Finance	381,042	381,042	374,667	6,375
City Manager	219,737	219,737	222,423	(2,686)
Public Works	845,338	845,338	853,211	(7,873)
Codes Enforcement	264,636	264,636	259,711	4,925
Judicial	169,151	169,151	162,048	7,103
Sanitation	378,708	378,708	395,657	(16,949)
Non-Department Support	6,000	6,000	78,050	(72,050)
Reserve Accounts	310,544	310,544	298,563	11,981
Capital Outlay				
Police	132,600	132,600	140,674	(8,074)
Public Works	65,921	65,921	67,022	(1,101)
Debt Service				
Principal	280,000	280,000	260,041	19,959
Interest	61,787	61,787	57,167	4,620
Total Expenditures	<u>7,070,718</u>	<u>7,070,718</u>	<u>7,028,483</u>	<u>42,235</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,338,797	1,338,797	1,253,500	(85,297)
Transfers Out	(3,000)	(3,000)	(3,000)	-
Total Other Financing Sources (Uses)	<u>1,335,797</u>	<u>1,335,797</u>	<u>1,250,500</u>	<u>(85,297)</u>
Net Change in Fund Balances	-	-	314,566	314,566
Fund Balances, Beginning	<u>4,174,727</u>	<u>4,174,727</u>	<u>4,174,727</u>	-
Fund Balances, Ending	<u>\$ 4,174,727</u>	<u>\$ 4,174,727</u>	<u>\$ 4,489,293</u>	<u>\$ 314,566</u>

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
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE PENSION PLAN
LAST TEN FISCAL YEARS

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.022652%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ (3,899,923)
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,082,192
Proportionate Share of the New Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-187.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.90%

POLICE OFFICER RETIREMENT SYSTEMS (PORS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.118510%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,268,845
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,564,963
Proportionate Share of the New Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	144.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	67.50%

N/A - Not Available

**CITY OF WALTERBORO
SCHEDULE OF CONTRIBUTIONS
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 226,959
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	226,959
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,082,192
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.90%

POLICE OFFICER RETIREMENT SYSTEMS (PORS)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 209,861
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	209,861
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,564,963
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13.41%

N/A - Not Available

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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						
6/30/2015	\$ 1,098,897	\$ 2,478,614	\$ 1,379,717	44.34%	\$ 2,396,744	57.57%
6/30/2014	836,583	2,429,562	1,592,979	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				
2015	\$ 243,735	\$ 243,735	\$ -	100.00%
2014	244,510	244,510	-	100.00%
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.
- Firemen Fund Funds designated for victims of crime and grants for Fire.
- 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, 2015**

	Housing Project Fund	Police Fund	Firemens Fund	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash	\$ 28,817	\$ 5,814	\$ 12,188	\$ 1,593	\$ 163,234	\$ 288,742	\$ 500,388
Receivables	-	1,529	-	84,384	18,155	36,139	140,207
Notes Receivable	4,235	-	-	-	-	-	4,235
Total Assets	<u>\$ 33,052</u>	<u>\$ 7,343</u>	<u>\$ 12,188</u>	<u>\$ 85,977</u>	<u>\$ 181,389</u>	<u>\$ 324,881</u>	<u>\$ 644,830</u>
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ 34,534	\$ 1,574	\$ -	\$ 36,108
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,534</u>	<u>1,574</u>	<u>-</u>	<u>36,108</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues-revolving loans	4,235	-	-	-	-	-	4,235
Total Deferred Inflows of Resources	<u>4,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,235</u>
FUND BALANCES							
Restricted	28,817	7,343	12,188	51,443	-	-	99,791
Committed	-	-	-	-	179,815	324,881	504,696
Total Fund Balances	<u>28,817</u>	<u>7,343</u>	<u>12,188</u>	<u>51,443</u>	<u>179,815</u>	<u>324,881</u>	<u>604,487</u>
Total Liabilities, Deferred Inflows of Resources, & Fund Balances	<u>\$ 33,052</u>	<u>\$ 7,343</u>	<u>\$ 12,188</u>	<u>\$ 85,977</u>	<u>\$ 181,389</u>	<u>\$ 324,881</u>	<u>\$ 644,830</u>

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

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Housing Project Fund	Police Fund	Firemens Fund	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 248,836	\$ 209,718	\$ 415,232	\$ 873,786
Miscellaneous	29,097	31,885	13,561	45	179	309	75,076
Total Revenues	29,097	31,885	13,561	248,881	209,897	415,541	948,862
EXPENDITURES							
Current							
Housing Project	15,404	-	-	-	-	-	15,404
Police	-	18,252	-	-	-	-	18,252
Fire	-	-	1,373	-	-	-	1,373
Tourism Development	-	-	-	263,843	80,664	-	344,507
Debt Service							
Principal	-	-	-	-	-	240,703	240,703
Interest	-	-	-	-	-	44,056	44,056
Total Expenditures	15,404	18,252	1,373	263,843	80,664	284,759	664,295
OTHER FINANCING SOURCES (USES)							
Transfers In	-	3,000	-	-	-	-	3,000
Transfers Out	-	(23,500)	-	-	(90,000)	(90,000)	(203,500)
Total Other Financing Sources (Uses)	-	(20,500)	-	-	(90,000)	(90,000)	(200,500)
Net Change in Fund Balances	13,693	(6,867)	12,188	(14,962)	39,233	40,782	84,067
Fund Balances, Beginning	15,124	14,210	-	66,405	140,582	284,099	520,420
Fund Balances, Ending	\$ 28,817	\$ 7,343	\$ 12,188	\$ 51,443	\$ 179,815	\$ 324,881	\$ 604,487

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, 2015

	Water and Sewer			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 2,117,400	\$ 2,117,400	\$ 2,165,111	\$ 47,711
Sewer Charges	1,232,500	1,232,500	1,261,676	29,176
Total Operating Revenues	<u>3,349,900</u>	<u>3,349,900</u>	<u>3,426,787</u>	<u>76,887</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	788,776	788,776	765,734	23,042
Sewer	966,347	966,347	955,476	10,871
Utility Support	125,102	125,102	110,466	14,636
Depreciation	-	-	741,901	(741,901)
Bad Debt Expense	-	-	19,334	(19,334)
Total Operating Expenses	<u>1,880,225</u>	<u>1,880,225</u>	<u>2,592,911</u>	<u>(712,686)</u>
Operating Income	<u>1,469,675</u>	<u>1,469,675</u>	<u>833,876</u>	<u>(635,799)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	3,100	3,100	1,204	(1,896)
Interest Expense	(417,822)	(417,822)	(86,931)	330,891
Bank Charges	-	-	(4,175)	(4,175)
Total Nonoperating Revenues (Expenses)	<u>(414,722)</u>	<u>(414,722)</u>	<u>(89,902)</u>	<u>324,820</u>
Income Before Contributions and Transfers	1,054,953	1,054,953	743,974	(310,979)
Operating Transfers In	-	-	57,897	57,897
Operating Transfers Out	<u>(1,133,797)</u>	<u>(1,133,797)</u>	<u>(1,050,000)</u>	<u>83,797</u>
Change in Net Position	(78,844)	(78,844)	(248,129)	(169,285)
Net Position, Beginning	18,944,541	18,944,541	18,944,541	-
Prior Period Adjustments-see note 15	-	-	(984,477)	(984,477)
Net Position, Ending	<u>\$ 18,865,697</u>	<u>\$ 18,865,697</u>	<u>\$ 17,711,935</u>	<u>\$ (1,153,762)</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, 2015**

	Business-type Activities			
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	Total
ASSETS				
Current Assets				
Cash	\$ 501,785	\$ 302,518	\$ 44,044	\$ 848,347
Receivables	646,131	9,852	11,947	667,930
Inventories	211,927	-	-	211,927
Total Current Assets	<u>1,359,843</u>	<u>312,370</u>	<u>55,991</u>	<u>1,728,204</u>
Noncurrent Assets				
Restricted Cash	216,921	-	-	216,921
Capital Assets, not being depreciated	234,761	-	-	234,761
Capital Assets, being depreciated	19,096,659	1,089,483	533,388	20,719,530
Total Noncurrent Assets	<u>19,548,341</u>	<u>1,089,483</u>	<u>533,388</u>	<u>21,171,212</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows on Pension Liability	97,929	-	-	97,929
Total Deferred Outflows of Resources	<u>97,929</u>	<u>-</u>	<u>-</u>	<u>97,929</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,006,113</u>	<u>\$ 1,401,853</u>	<u>\$ 589,379</u>	<u>\$ 22,997,345</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 57,764	\$ -	\$ -	\$ 57,764
Salaries and Benefits Payable	27,456	-	-	27,456
Interest Payable	6,649	-	-	6,649
Compensated Absences - current	5,000	-	-	5,000
Revenue Bonds Payable - current	338,924	-	-	338,924
Customer Deposits	266,841	-	-	266,841
Deferred Revenues	48,085	-	-	48,085
Total Current Liabilities	<u>750,719</u>	<u>-</u>	<u>-</u>	<u>750,719</u>
Noncurrent Liabilities				
Revenue Bonds Payable	3,407,845	-	-	3,407,845
Net Pension Liability	992,533	-	-	992,533
Compensated Absences	39,173	-	-	39,173
Total Noncurrent Liabilities	<u>4,439,551</u>	<u>-</u>	<u>-</u>	<u>4,439,551</u>
Total Liabilities	<u>5,190,270</u>	<u>-</u>	<u>-</u>	<u>5,190,270</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows on Pension Liability	95,140	-	-	95,140
Total Deferred Inflows of Resources	<u>95,140</u>	<u>-</u>	<u>-</u>	<u>95,140</u>
NET POSITION				
Unrestricted	(75,870)	312,370	55,991	292,491
Restricted	216,921	-	-	216,921
Net Investment in Capital Assets	15,579,652	1,089,483	533,388	17,202,523
Total Net Position	<u>15,720,703</u>	<u>1,401,853</u>	<u>589,379</u>	<u>17,711,935</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 21,006,113</u>	<u>\$ 1,401,853</u>	<u>\$ 589,379</u>	<u>\$ 22,997,345</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, 2015**

	Business-type Activities			Total
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 2,108,447	\$ 49,541	\$ 7,123	\$ 2,165,111
Sewer Charges	1,257,061	-	4,615	1,261,676
Total Operating Revenues	<u>3,365,508</u>	<u>49,541</u>	<u>11,738</u>	<u>3,426,787</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	752,041	11,070	2,623	765,734
Sewer	955,476			955,476
Utility Support	108,491	1,597	378	110,466
Depreciation	699,828	28,027	14,046	741,901
Bad Debt Expense	19,334	-	-	19,334
Total Operating Expenses	<u>2,535,170</u>	<u>40,694</u>	<u>17,047</u>	<u>2,592,911</u>
Operating Income	<u>830,338</u>	<u>8,847</u>	<u>(5,309)</u>	<u>833,876</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	1,204	-	-	1,204
Interest Expense	(86,931)	-	-	(86,931)
Bank Charges	(4,175)	-	-	(4,175)
Total Nonoperating Revenues (Expenses)	<u>(89,902)</u>	<u>-</u>	<u>-</u>	<u>(89,902)</u>
Income Before Contributions and Transfers	740,436	8,847	(5,309)	743,974
Operating Transfers In	57,897	-	-	57,897
Operating Transfers Out	<u>(1,050,000)</u>	<u>-</u>	<u>-</u>	<u>(1,050,000)</u>
Change in Net Position	(251,667)	8,847	(5,309)	(248,129)
Net Position, Beginning	16,956,847	1,393,006	594,688	18,944,541
Prior Period Adjustment-see note 14	(984,477)	-	-	(984,477)
Net Position, Ending	<u>\$ 15,720,703</u>	<u>\$ 1,401,853</u>	<u>\$ 589,379</u>	<u>\$ 17,711,935</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.
- Firemens 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, 2015**

	<u>Municipal Court</u>	<u>Firemens</u>	<u>Total</u>
ASSETS			
Cash	\$ 25,588	\$ -	\$ 25,588
Total Assets	<u>\$ 25,588</u>	<u>\$ -</u>	<u>\$ 25,588</u>
LIABILITIES			
Due to Others	\$ 25,588	\$ -	\$ 25,588
Total Liabilities	<u>\$ 25,588</u>	<u>\$ -</u>	<u>\$ 25,588</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, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Municipal Court				
Assets				
Cash	\$ 26,886	\$ 438,499	\$ 439,797	\$ 25,588
Total Assets	<u>\$ 26,886</u>	<u>\$ 438,499</u>	<u>\$ 439,797</u>	<u>\$ 25,588</u>
Liabilities				
Due to Others	\$ 26,886	\$ 438,499	\$ 439,797	\$ 25,588
Total Liabilities	<u>\$ 26,886</u>	<u>\$ 438,499</u>	<u>\$ 439,797</u>	<u>\$ 25,588</u>
 Firemens Fund				
Assets				
Cash	\$ 78	\$ 27,442	\$ 27,520	\$ -
Total Assets	<u>\$ 78</u>	<u>\$ 27,442</u>	<u>\$ 27,520</u>	<u>\$ -</u>
Liabilities				
Due to Others	\$ 78	\$ 27,442	\$ 27,520	\$ -
Total Liabilities	<u>\$ 78</u>	<u>\$ 27,442</u>	<u>\$ 27,520</u>	<u>\$ -</u>
 Total All Agency Funds				
Assets				
Cash	\$ 26,964	\$ 465,941	\$ 467,317	\$ 25,588
Total Assets	<u>\$ 26,964</u>	<u>\$ 465,941</u>	<u>\$ 467,317</u>	<u>\$ 25,588</u>
Liabilities				
Due to Others	\$ 26,964	\$ 465,941	\$ 467,317	\$ 25,588
Total Liabilities	<u>\$ 26,964</u>	<u>\$ 465,941</u>	<u>\$ 467,317</u>	<u>\$ 25,588</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, 2015**

Court Fines:

Court Fines Collected	\$ 170,642
Court Fines Retained by City	<u>170,642</u>

Court Fines Remitted to the State Treasurer	<u>-</u>
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Court Assessments:

Court Assessments Collected	159,047
Court Assessments Retained by City	<u>-</u>

Court Assessments Remitted to State Treasurer	<u>159,047</u>
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Court Surcharges:

Court Surcharges Collected	69,137
Court Surcharges Collected Retained by City	<u>-</u>

Court Surcharges Remitted to State Treasurer	<u>69,137</u>
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Victims Assistance:

Court Assessments Allocated to Victim Assistance	19,978
Court Surcharges Allocated to Victims Assistance	<u>7,834</u>

Total Funds Allocated to Victim Assistance	27,812
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Interest income	11
Victim Services expenditures	(28,329)

Outstanding:

June 2014 deposits for victims assistance	2,021
June 2015 deposits for victims assistance	(1,528)
Cash Available for Carryforward	<u>(13)</u>

Beginning of Year, Cash	<u>325</u>
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End of Year, Cash	<u><u>\$ 312</u></u>
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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.	72-76
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.	77-82
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.	83-85
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.	86-87
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.	88-90

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GOVERNMENTAL ACTIVITIES										
Unrestricted	\$ 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	\$ (1,146,701)
Restricted	-	-	-	-	-	3,030,465	832,985	432,882	529,392	614,751
Net Investment in Capital Assets	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	6,897,964
Total Governmental Activities Net Position	<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>	<u>\$ 6,366,014</u>
BUSINESS TYPE ACTIVITIES										
Unrestricted	\$ 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	\$ 292,491
Restricted	297,399	294,133	297,517	291,459	474,821	553,776	220,855	218,746	216,919	216,921
Net Investment in Capital Assets	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	17,202,523
Total Business-Type Activities Net Position	<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>	<u>\$ 17,711,935</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
Mayor/Council/Attorney/Judge	\$ 180,550	\$ 211,740	\$ 246,884	\$ 262,545	\$ 270,136	\$ 247,569	\$ 281,454	\$ 320,125	\$ 286,003	\$ 205,302
City Manager/City Clerk	171,600	200,741	200,570	195,999	201,594	202,258	200,892	205,092	286,797	234,493
Finance	332,008	351,114	359,167	383,635	398,053	410,047	418,214	419,543	417,064	376,923
Public Works	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	1,032,399
Planning/Code Enforcement	96,337	105,685	148,449	219,028	267,388	245,236	256,418	247,971	259,744	266,386
Judicial	261,470	227,872	322,306	348,408	165,602	172,612	171,159	163,941	162,026	161,538
Police	-	-	-	-	-	-	-	-	-	2,575,561
Fire	-	-	-	-	-	-	-	-	-	926,880
Public Safety	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	406,679	477,009	521,770	477,512	484,031	502,085	531,910	474,108	424,459	477,421
Parks	-	175,246	202,133	240,347	343,969	390,775	611,235	422,118	456,795	518,695
Tourism	122,211	233,482	204,435	194,839	336,880	411,048	405,685	383,688	405,642	461,868
Economic Development	1,560,015	-	-	-	-	126	-	-	-	-
Housing Project	243	29,288	695	1,088	17,313	9,618	5,065	511	403	15,404
Great Swamp	83,447	48,200	37,852	43,191	15,156	10,732	7,811	1,878	3,425	-
Non-Department Support	125,692	94,577	124,819	204,007	99,859	43,160	16,497	10,806	426,366	78,050
Reserve Accounts	123,576	135,685	25,271	28,639	148,049	318,366	357,299	283,912	330,136	298,563
Bond Issue Costs	-	-	-	-	-	-	7,124	-	-	-
Interest on Long-term Debt	74,311	181,810	166,941	158,607	143,906	132,946	127,899	115,967	104,843	99,896
Total Governmental Activities Expenses	6,796,210	5,673,638	6,231,243	6,528,934	6,860,400	7,547,757	8,292,630	7,809,854	8,065,398	7,729,379
Business-type Activities										
Water	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	1,148,318
Sewer	1,046,110	934,514	718,335	752,910	792,298	829,683	879,746	932,388	957,505	1,314,793
Economic Development	-	-	-	-	-	68,501	62,593	68,023	68,479	-
Utility Support	-	-	-	-	-	-	-	-	-	133,975
Interst on Long-Term Debt	-	-	-	-	-	-	-	-	-	86,931
Total Business Activities Expenses	1,974,110	2,040,895	2,021,401	2,121,748	2,201,468	2,302,968	2,273,423	2,293,770	2,299,496	2,684,017
Total Primary Government Expenses	8,770,320	7,714,533	8,252,644	8,650,682	9,061,868	9,850,725	10,566,053	10,103,624	10,364,894	10,413,396
Revenues										
Governmental Activities:										
Program Revenues										
Charges for Services:										
General Government	719,223	633,152	702,424	822,334	639,338	700,018	622,509	628,855	616,257	656,286
Operating Grants and Contributions	17,562	14,711	25,639	11,771	11,605	342,816	716,300	538,107	65,940	75,482
Capital Grants and Contributions	316,005	105,331	594,950	6,600	223,121	162,357	173,416	594,727	1,018,140	143,807
Total Governmental Activities Program Revenues	1,052,790	753,194	1,323,013	840,705	874,064	1,205,191	1,512,225	1,761,689	1,700,337	875,575
Business-Type Activities										
Charges for Services:										
Water	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	2,165,111
Sewer	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	1,261,676
Capital Grants and Contributions	7,759	-	-	-	-	485,282	308,451	344,926	-	-
Total Business-Type Activities Program Revenues	2,538,507	2,613,200	2,767,151	3,212,722	3,669,616	3,652,598	3,743,836	3,507,709	3,299,644	3,426,787
Total Primary Government Program Revenues	3,591,297	3,366,394	4,090,164	4,053,427	4,543,680	4,857,789	5,256,061	5,269,398	4,999,981	4,302,362
Net (Expense) Revenue										
Governmental Activities	(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)	(6,853,804)
Business-Type Activities	564,397	572,305	745,750	1,090,974	1,468,148	1,349,630	1,470,413	1,213,939	1,000,148	742,770
Total Primary Government Net Revenue / (Expense)	(5,179,023)	(4,348,139)	(4,162,480)	(4,597,255)	(4,518,188)	(4,992,936)	(5,309,992)	(4,834,226)	(5,364,913)	(6,111,034)

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

Schedule 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues										
Governmental Activities:										
Taxes	\$ 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	\$ 3,855,942
Business Licenses	1,653,426	1,910,569	1,917,324	1,950,618	1,909,357	2,117,002	2,054,421	2,176,590	2,168,072	2,281,637
Unrestricted Grants and Contributions	170,810	189,173	179,149	189,419	177,130	230,925	485,733	200,927	237,122	137,166
Investment Earnings	79,221	247,850	231,908	119,104	92,314	41,469	26,818	9,891	6,014	4,483
Transfers	1,112,074	733,351	678,335	655,684	992,483	1,281,316	1,295,167	1,333,255	712,358	992,103
Total Government Activities	<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>	<u>7,271,331</u>
Business-Type Activities:										
Investment Earnings	92,718	149,123	196,118	64,183	31,564	11,563	8,175	3,175	1,855	1,204
Transfers	(1,112,074)	(733,351)	(678,335)	(655,684)	(992,483)	(1,281,316)	(1,295,167)	(1,333,255)	(712,358)	(992,103)
Total Business-Type Activities	<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>	<u>(990,899)</u>
Total Primary Government	<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>	<u>6,280,432</u>
Change in Net Position										
Prior Period Adjustment	-	-	-	-	-	-	-	(118,616)	-	(6,118,692)
Governmental Activities	(355,883)	1,333,268	1,094,747	507,629	557,056	736,106	472,316	892,520	558,711	7,271,331
Business-Type Activities	(454,959)	(11,923)	263,533	331,535	507,229	79,877	183,421	(116,141)	289,645	(990,899)
Total Primary Government	<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>	<u>161,740</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL FUND										
Unassigned	\$ 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	\$ 4,489,293
Nonspendable	-	-	-	-	-	-	-	-	-	3,558
Total General Fund	<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>	<u>4,492,851</u>
GRANT FUND										
Restricted	-	-	-	-	-	8,432	-	-	-	-
Total Economic Development Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL PROJECTS FUND										
Assigned	-	-	-	-	-	-	1,071,305	2,537,397	609,930	328,759
Restricted	-	-	-	-	-	-	-	12,902	8,972	10,264
Total Capital Projects Fund	<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>	<u>339,023</u>
ALL OTHER GOVERNMENTAL FUNDS										
Assigned	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	99,791
Committed	-	-	-	-	-	574,689	672,780	326,630	424,681	504,696
Total All Other Governmental Funds	<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>	<u>604,487</u>
TOTAL GOVERNMENTAL FUND BALANCE	<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>	<u>\$ 5,436,361</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 3,827,612
Fines, Fees, and Licenses	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	2,926,598
Intergovernmental	141,236	152,242	168,257	160,530	134,627	112,117	98,705	116,462	117,132	118,159
Solid Waste Disposal Charges	333,231	338,195	331,460	411,722	389,379	423,067	420,498	447,965	436,660	-
Miscellaneous	492,503	659,751	1,131,972	201,507	545,607	711,091	1,329,012	1,074,476	1,211,443	274,561
Total Revenues	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	7,146,930
Expenditures										
Current:										
Mayor/Council/Attorney/Judge	180,550	226,629	257,994	256,744	264,334	241,767	273,453	318,823	285,505	204,330
City Manager/City Clerk	170,078	195,074	194,745	188,369	193,593	194,123	196,101	195,632	277,729	222,423
Finance	327,742	351,114	363,427	382,297	398,053	408,211	413,144	424,484	412,476	374,667
Public Works	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	892,741
Planning/Code Enforcement	91,553	101,243	140,544	215,954	288,193	239,008	266,383	240,273	248,934	259,711
Judicial	257,561	223,563	318,073	349,320	165,602	173,292	170,977	164,265	160,529	162,048
Police	-	-	-	-	-	-	-	-	-	2,313,395
Fire	-	-	-	-	-	-	-	-	-	875,389
Public Safety	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	571,126	419,404	607,179	405,344	720,422	405,982	437,888	391,442	334,599	395,657
Parks	-	210,078	206,119	354,600	301,156	389,264	554,953	360,900	343,666	372,497
Tourism	-	-	-	194,839	336,880	366,275	405,774	383,915	406,779	463,022
Housing Project	243	29,288	695	1,088	17,313	9,618	5,065	511	403	15,404
Great Swamp	205,756	363,798	318,736	60,077	145,765	10,732	7,811	1,878	3,425	-
Non-Departmental Support	398,058	1,208,847	491,634	604,486	255,182	43,160	16,497	10,806	426,366	78,050
Reserve Accounts	123,576	135,685	25,271	28,639	148,049	318,366	357,299	283,912	330,136	298,563
Debt Service										
Principal	-	-	-	-	-	278,210	347,608	368,034	403,547	500,744
Interest	-	-	-	-	-	132,758	124,666	117,856	107,464	101,223
Capital Outlay	-	-	-	-	-	898,587	958,082	2,272,865	1,499,567	695,380
Total Expenditures	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	8,225,244
Excess (deficiency) of revenues over (under) expenditures	(430,113)	(346,336)	(54,497)	(609,513)	(687,183)	(1,279,749)	(1,691,969)	(2,787,260)	(1,457,063)	(1,078,314)
Other Financing Sources (Uses)										
Issuance of Debt	1,925,000	-	-	-	-	-	1,351,883	-	312,000	204,965
Transfers In	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	1,256,500
Transfers Out	(250,699)	(808,128)	(1,558,316)	(785,633)	(1,057,168)	(879,577)	(877,990)	(900,990)	(3,210,901)	(264,397)
Total Other Financing Sources (Uses)	3,037,074	733,351	210,302	527,650	694,447	1,281,316	2,647,050	1,333,255	1,024,358	1,197,068
Net Change in Fund Balances	2,606,961	387,015	155,805	(81,863)	7,264	1,567	955,081	(1,454,005)	(432,705)	118,754
Fund Balances, Beginning	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	5,317,607
Prior Period Adjustment(s)						(215,000)	-	-	-	-
Fund Balances, Ending	\$ 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	\$ 5,436,361
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A	5.9%	5.8%	6.3%	6.5%	8.0%

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	
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
2015	19,666,500	6,321,410	25,987,910	438,059,595	73,344,620	511,404,215	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
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
2015	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	2015				2006			
	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.	\$ 1,264,310	1		6.59 %	N/A			N/A %
WAL-MART REAL ESTATE BUSINESSTRUST	765,000	2		3.99	N/A			N/A
WALTERBORO COMMUNITY HOSPITAL	702,000	3		3.66	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	9		1.22	N/A			N/A
WALGREEN COMPANY	228,840	10		1.19	N/A			N/A
VERIZON SOUTH	268,290	7		1.40	N/A			N/A
SC RSA #8 CO.	214,240	8		1.12	N/A			N/A
 Total	 \$ 4,703,100			 24.52 %	 \$ -			 - %

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
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
2015	1,631,340	1,532,524	93.9	86,654	1,619,178	99.3

* Reassessment Year.

Source: City 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			
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	26.02	1,544.05
2014	839,193	939,456	303,734	1,613,247	4,084,934	7,780,564	24.70	1,464.99
2015	725,626	812,321	403,417	1,458,487	3,751,769	7,151,620	22.70	1,346.57

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
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
2015	1,458,487	5.6%	275

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015**

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	\$ 7,455,674	20.00%	\$ 1,491,135
Fire and Rescue	9,793,635	20.00%	1,958,727
Colleton County School District	89,538,439	20.00%	17,907,688
Subtotal overlapping debt	<u>106,787,748</u>		<u>21,357,550</u>
City direct debt	<u>3,399,851</u>	100.00%	<u>3,399,851</u>
Total direct and overlapping debt	<u><u>\$ 110,187,599</u></u>		<u><u>\$ 24,757,401</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 City'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 2015

Assessed Value	\$ 25,987,910
Debt limit (8% of assessed value)	2,079,033
Debt applicable to limit:	
General Obligation Bonds	
Total net debt applicable to limit	(1,458,487)
Legal Debt Margin	<u><u>\$ 620,546</u></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>	<u>2015</u>
Debt Limit	\$ 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	\$ 2,079,033
Total net debt applicable to limit	<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>	<u>(1,458,487)</u>
Legal debt margin	<u><u>\$ 651,104</u></u>	<u><u>\$ 94,387</u></u>	<u><u>\$ 237,657</u></u>	<u><u>\$ 3,010,767</u></u>	<u><u>\$ 1,419,468</u></u>	<u><u>\$ 1,428,064</u></u>	<u><u>\$ 188,756</u></u>	<u><u>\$ 292,067</u></u>	<u><u>\$ 361,751</u></u>	<u><u>\$ 620,546</u></u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>70.2%</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		
	GROSS REVENUE	OPERATING EXPENSES	NET AVAILABLE REVENUE	PRINCIPAL	INTEREST	COVERAGE
JUNE 30,						
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
2015	3,426,787	1,851,010	1,575,777	333,165	57,317	8.8

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	
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	19,140	36.1	1,197	12.10*	
2013	5,309	31,505	20,007	38.9	1,302	11.50	
2014	5,311	31,505	20,007	38.9	1,421	6.60	
2015	5,311	31,505	20,007	41.3	1,421	7.00	

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	2015				2006			
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT		EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	
Colleton County School Board	900	1	N/A	%	N/A	N/A	N/A	%
Colleton Medical Center	480	2	N/A		N/A	N/A	N/A	
Colleton County	462	3	N/A		N/A	N/A	N/A	
Walmart	400	4	N/A		N/A	N/A	N/A	
BiLo	142	5	N/A		N/A	N/A	N/A	
City of Walterboro	115	6	N/A		N/A	N/A	N/A	
Cracker Barrel	98	7	N/A		N/A	N/A	N/A	
Ruby Tuesday	57	8	N/A		N/A	N/A	N/A	
DOT	66	9	N/A		N/A	N/A	N/A	
Veterans Victory House	250	10	N/A		N/A	N/A	N/A	
Total	2,970		-	%	-		-	%

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Mayor/Council/Attorney/Judge	9	9	9	9	9	9	9	9	9	9
City Manager/City Clerk	2	2	2	2	2	2	2	2	2	2
Finance	4.5	5	5	4	4	4	5	5	4	4
Public Works	16.5	16	16	16	16	16	15.5	15.5	15.5	11.5
Planning/Code Enforcement	3	2	2	4	4	4	4	4	3	4
Police Judicial	-	-	-	-	-	-	-	-	-	36
Judicial	2.5	3	3	3.5	3.5	3.5	2.5	3.5	3.5	3.5
Fire Judicial	-	-	-	-	-	-	-	-	-	11.5
Public Safety	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	7
Tourism	-	-	1.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Economic Development	-	-	-	1	1	1	1	1	-	-
Water	8	8	8	7	7	7	7	7	8	9
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	8.5
Total	101.0	105.0	105.0	112.5	113.5	115.5	115.0	116.0	112.5	115.0

***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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business Licenses										
NUMBERS ISSUED	897	930	892	888	885	816	880	844	733	905
Sales Reported for Licenses*	\$ 439,230	\$ 532,511	\$ 521,746	\$ 534,373	\$ 545,401	\$ 542,750	\$ 547,523	\$ 571,142	\$ 541,735	\$ 582,913
Commercial Building Permits Issued										
NUMBERS ISSUED	50	45	48	54	63	59	63	63	78	77
Sales Reported for Permits Issued*	\$ 14,899	\$ 9,274	\$ 11,571	\$ 13,773	\$ 12,952	\$ 24,183	\$ 11,309	\$ 15,319	\$ 32,701	\$ 30,140
Residential Building Permits Issued										
NUMBERS ISSUED	106	108	100	106	110	91	93	104	135	136
Sales Reported for Permits Issued*	\$ 3,364	\$ 2,794	\$ 3,212	\$ 11,975	\$ 10,954	\$ 9,063	\$ 8,311	\$ 9,805	\$ 11,395	\$ 9,749

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EMERGENCY SERVICES:										
NUMBER OF FIRE STATIONS	1	2	2	3	3	3	3	3	3	3
NUMBER OF FIRE TRUCKS	4	2	2	3	3	3	3	4	4	4
NUMBER OF POLICE STATIONS	1	2	2	3	3	3	3	3	3	3
NUMBER OF POLICE VEHICLES	N/A	36	39	38	40	44	44	44	44	44
PUBLIC WORKS										
NUMBER OF GARBAGE TRUCKS	5	5	5	5	5	5	5	5	5	6
WATER/SEWER										
MILES OF PIPE IN GROUND										
WATER	N/A	284	286	290	291	291	291	291	291	291
SEWER	N/A	76	77	77	78	78	78	78	78	78

N/A Information is not available

Source: City capital asset records.

COMPLIANCE SECTION

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

Mayor and City Council
City of Walterboro, South Carolina
Walterboro, South Carolina 29488

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, 2015, 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 1, 2015.

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

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
October 1, 2015