



# **CITY OF WALTERBORO SOUTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

### **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**

AMY RISHER

PREPARED BY:  
FINANCE DEPARTMENT

# City of Walterboro, South Carolina

## Comprehensive Annual Financial Report

### For the Fiscal Year Ended June 30, 2017

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# City of Walterboro, South Carolina

## Comprehensive Annual Financial Report

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

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# INTRODUCTORY SECTION



October 23, 2017

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, 2017.

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, 2017, 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, 2017, 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, 2017, the City occupied a land area of 6.7 square miles and serves a population of approximately 5,293. 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 Waltherboro are required to submit requests for appropriations to the manager the first week in February 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 the first week in April. 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 59 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 \$33,120. Waltherboro's existing retail marketplace is approximately \$378 million (as extrapolated from business license returns). Many big box retailers and more than a dozen large hotels have chosen to set up operations in Waltherboro's vibrant local economy. In 2017, one new hotel and retail shop has been constructed as well as several major up-fits to existing buildings which includes Colleton Medical Center, McDonald's, and Huddle House. In addition, J & L Wire which is a leading manufacturer of galvanized and bright basic wire recently located in Waltherboro. Other proposed developments, primarily commercial, are in the preconstruction phase. Economic development efforts has created substantial commercial redevelopment throughout the City.

### **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. There were no rate increase for fiscal year 2016-2017. The City of Waltherboro 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.

## Major Initiatives

The City of Waltherboro began the next phase 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 Waltherboro.

The City is nearing completion of a comprehensive neighborhood revitalization project in the North Lemacks Street area and a Booster Pump Station upgrade that are financed by Community Development Block Grants (CDBG) at minimal cost to the City. In addition, the City has begun an upgrade to the wastewater treatment plant by converting the equalization basin into an aerobatic digestive basin which will increase the efficiency and treatment capacity of the plant. 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) \$107,384 for revitalization of the North Lemacks Street neighborhood Phase III
- 2) \$663,494 for Booster Pump Station Upgrade
- 3) \$829,016 for Wastewater Treatment Plant Upgrade

The upgrade to the wastewater treatment plant will be completed in fiscal year 2017-2018.

In 2013, the City purchased a vacant building downtown to renovate as a Discovery Center for the Waltherboro Wildlife Sanctuary. The City will begin construction in 2018 and the project will include live and static exhibits, event space and an amphitheater.



## **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 the past five consecutive years, the City of Walterboro has 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. Fisher  
Finance Director



Government Finance Officers Association

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

Presented to

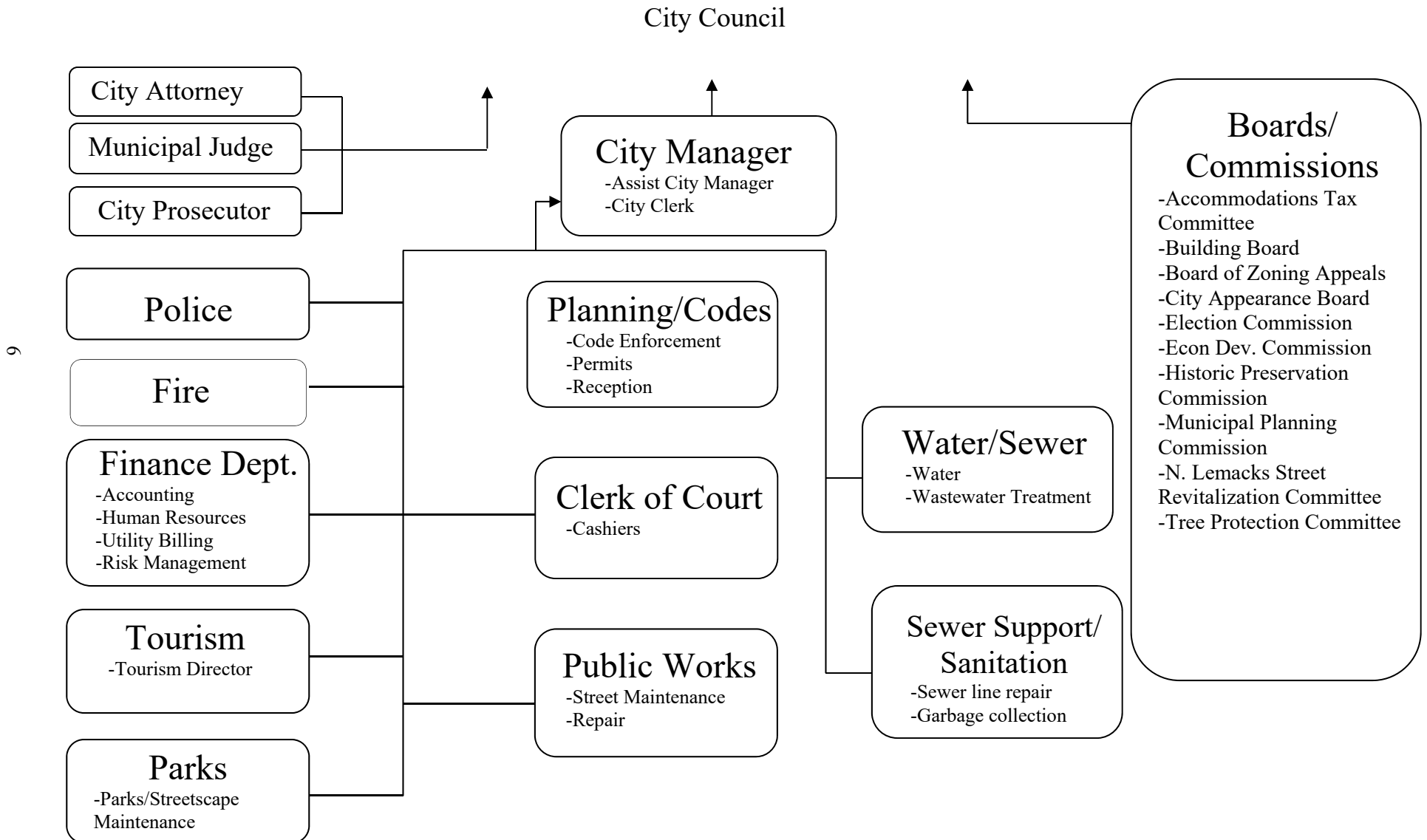
**City of Walterboro  
South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO  
SOUTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2017**

<b>TITLE</b>	<b>NAME</b>
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
Assistant City Manager .....	Hank Amundson
Director of Finance and Administration.....	Amy Risher
City Attorney.....	George W. Cone
Utility Director.....	Wayne Crosby
Public Works Director.....	Michael Crosby
Police Chief.....	Wade Marvin
Fire Chief.....	Wayne Lake
Tourism Director.....	Michelle H. Strickland
Parks Director.....	Adam Davis

# FINANCIAL SECTION



4210 Columbia Road | Building 10 | Suite 101 | Augusta, GA 30907  
[www.bairdaudit.com](http://www.bairdaudit.com) | Tel. (706) 855-9500 | Fax (706) 855-2900

## 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walterboro, South Carolina, as of and for the year ended June 30, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10-18 and 59, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Funding Progress and Employer Contributions and Schedules of Funding Progress and Employer Contributions Other Postemployment Benefits on pages 60-62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walterboro, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal award is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 the schedule of expenditures of federal awards are fairly state 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 23, 2017, on our consideration of the 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 the City of Walterboro, South Carolina's internal control over financial reporting and compliance.



The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, Georgia  
October 23, 2017

## **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, 2017. 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 4 of this report.

#### **Financial Highlights**

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$28,392,893 (net position). Of this amount, \$2,812,869 (restricted net position) was restricted for specific purposes, \$27,158,035 represented the net investment in capital assets, and the remaining deficit of \$(1,578,011) was unrestricted. The City's total net position increased by \$1,855,134 for the year ended June 30, 2017.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$5,156,033, an increase of \$252,111.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,024,340 or 57% of the total fund expenditures.
- At the close of the current fiscal year, the City's proprietary type funds reported a combined ending net position of \$21,412,550, an increase of \$1,895,215.

#### **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, liabilities, and deferred inflows/outflows of resources, with the difference 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 and the sanitation department.



The government-wide financial statements can be found on pages 19-21 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, sewer and sanitation services, which is an enterprise fund. A budget is presented in the supplemental statements to monitor the performance of the 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 31-58 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, historical pension and other post employment benefits on pages 59-62.

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 63-78 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 and deferred outflows exceeded liabilities and deferred inflows by \$28,392,893 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	
	2017	2016	2017	2016	2017	2016
Cash and Other Assets	\$ 5,989,690	\$ 6,007,996	\$ 4,050,304	\$ 2,320,705	\$ 10,039,994	\$ 8,328,701
Capital Assets	11,230,482	11,319,303	22,731,763	21,372,945	33,962,245	32,692,248
Total Assets	17,220,172	17,327,299	26,782,067	23,693,650	44,002,239	41,020,949
Deferred Outflows of Resources	2,114,379	804,557	-	-	2,114,379	804,557
Long-term Liabilities Outstanding	11,563,031	9,491,702	4,741,393	3,126,761	16,304,424	12,618,463
Other Liabilities	745,640	1,553,544	628,124	1,049,554	1,373,764	2,603,098
Total Liabilities	12,308,671	11,045,246	5,369,517	4,176,315	17,678,188	15,221,561
Deferred Inflows of Resources	45,537	66,189	-	-	45,537	66,189
Net Position						
Net Investment in Capital Assets	9,099,786	9,045,274	18,058,249	17,960,124	27,158,035	27,005,398
Restricted	1,028,324	781,910	1,784,545	214,926	2,812,869	996,836
Unrestricted	(3,147,767)	(2,806,763)	1,569,756	1,342,285	(1,578,011)	(1,464,478)
Total Net Position	\$ 6,980,343	\$ 7,020,421	\$ 21,412,550	\$ 19,517,335	\$ 28,392,893	\$ 26,537,756

By far the largest portion of the City's net position \$27,158,035 (96%) 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 \$2,812,869 (10%) represents restricted resources and are not available to fund other commitments. The largest portion \$1,784,545 of the restricted net position represents debt covenants in the proprietary fund assets and \$899,138 of restricted net position that has been committed in the special revenue funds for tourism related expenses. The remaining restricted net position of \$129,186 relates to special revenue funds committed to housing, public safety, and projects of the City.

The balance of unrestricted net position represents a deficit of \$(1,578,011) (-6%) due to the recognition of the net pension liability as a long-term obligation.

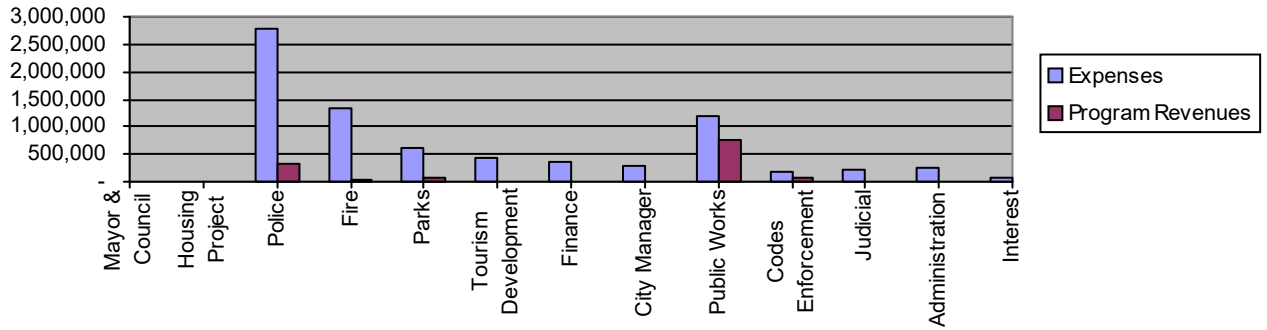
The City's total net position increased by \$1,855,134 for the year ended June 30, 2017 summarized below:

CITY OF WALTERBORO, SOUTH CAROLINA CHANGES IN NET POSITION						
	Governmental Activities		Business -Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 228,855	\$ 673,814	\$ 4,129,065	\$ 3,646,372	\$ 4,357,920	\$ 4,320,186
Operating Grants and Contributions	191,564	162,333	-	-	191,564	162,333
Capital Grants and Contributions	824,472	2,071,341	1,225,276	132,428	2,049,748	2,203,769
General Revenues						
Taxes	4,148,111	4,111,611	-	-	4,148,111	4,111,611
Business Licenses	2,341,419	2,278,734	-	-	2,341,419	2,278,734
Grants and contributions not restricted to specific programs	123,622	148,527	-	-	123,622	148,527
Investment earnings	10,476	4,406	2,570	1,232	13,046	5,638
Miscellaneous	203,948	20,661	12,245	-	216,193	20,661
Total revenues	8,072,467	9,471,427	5,369,156	3,780,032	13,441,623	13,251,459
Expenses						
Mayor and Council	205,110	214,369	-	-	205,110	214,369
Housing Project	59	62	-	-	59	62
Police	2,784,237	2,584,037	-	-	2,784,237	2,584,037
Fire	1,332,419	1,179,975	-	-	1,332,419	1,179,975
Parks	611,094	555,763	-	-	611,094	555,763
Tourism Development	440,156	437,928	-	-	440,156	437,928
Finance	352,254	417,915	-	-	352,254	417,915
City Manager	275,356	237,284	-	-	275,356	237,284
Public Works	1,178,124	990,559	-	-	1,178,124	990,559
Codes Enforcement	176,955	261,833	-	-	176,955	261,833
Judicial	210,250	177,325	-	-	210,250	177,325
Administration	257,844	353,543	-	-	257,844	353,543
Interest Expense	76,000	92,025	-	-	76,000	92,025
Water	-	-	1,405,744	1,179,967	1,405,744	1,179,967
Sewer	-	-	1,146,176	1,097,332	1,146,176	1,097,332
Sewer Support	-	-	296,326	321,292	296,326	321,292
Utility Support	-	-	308,279	197,870	308,279	197,870
Sanitation	-	496,128	530,106	-	530,106	496,128
Total expenses	7,899,858	7,998,746	3,686,631	2,796,461	11,586,489	10,795,207
Change in net position before transfers	172,609	1,472,681	1,682,525	983,571	1,855,134	2,456,252
Transfers	(212,690)	167,915	212,690	(167,915)	-	-
Change in net position	(40,081)	1,640,596	1,895,215	815,656	1,855,134	2,456,252
Net position – beginning	7,020,424	6,369,572	19,517,335	17,711,935	26,537,759	24,081,507
Prior period adjustment	-	(989,744)	-	989,744	-	-
Net position – ending	\$ 6,980,343	\$ 7,020,424	\$ 21,412,550	\$ 19,517,335	\$ 28,392,893	\$ 26,537,759

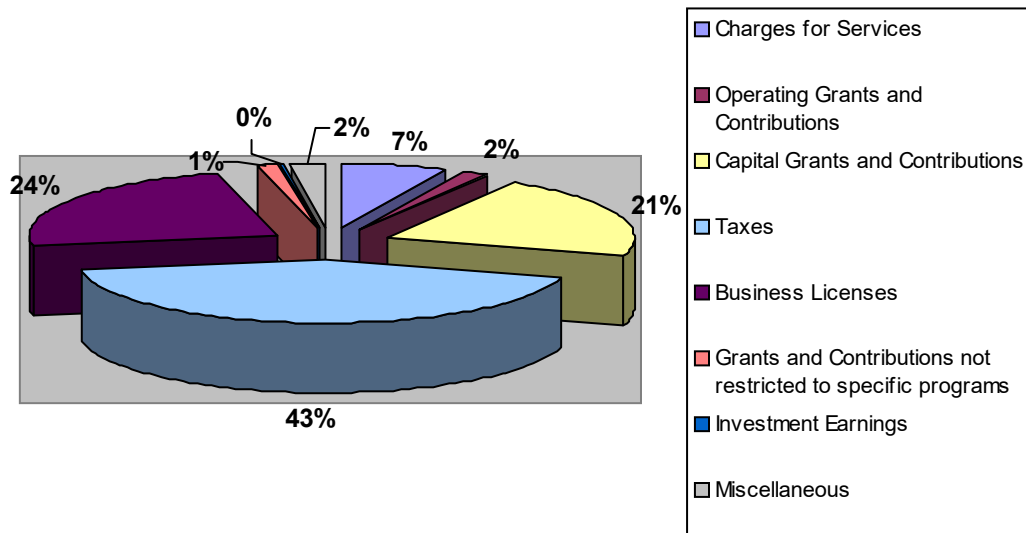
**Governmental activities.** Governmental activities decreased the City's net position by \$40,081 for the fiscal year ended June 30, 2017. Key elements of this decrease are as follows:

- Capital grants and contributions for governmental activities decreased approximately \$1,250,000 due to project phase completion on I95 Loop and South Jeffries Streetscape projects.
- In the prior year, the net pension liability of \$989,744 was transferred as a prior period adjustment from the business-type activities to be reported in governmental activities in its entirety.
- In the current year, a net transfer of capital assets of \$306,285 was recorded to remove sanitation assets from governmental activities to business-type activities.
- Depreciation expenses of \$656,696 were recognized in each functional department with capital outlay of \$1,019,351 reported on the statement of net position.
- Payment of principal of \$490,356 was reported on the statement of net position.
- The net pension liability increased expenses by \$468,111.

### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities

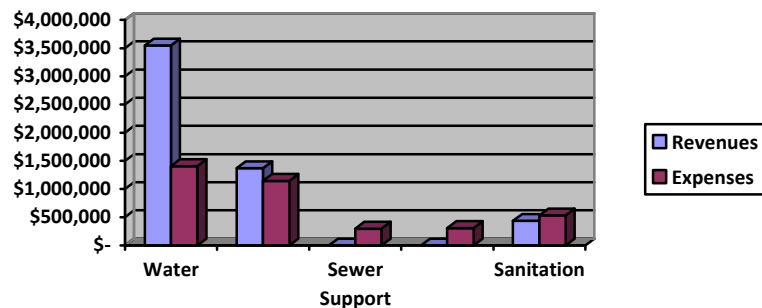


**Business-type activities.** Business-type activities increased the City's net position by \$1,895,215. Key elements of this increase are as follows:

- Overall revenues are up approximately \$1,589,000 because of a capital contribution of \$1,227,000 and \$434,000 charges for sanitation services.
- Overall expenses were up \$1,190,000 because sanitation expenses of \$429,000 were moved from governmental activities to business-type activities while expenses for salaries, electricity, legal fees, and system costs were up during 2017.
- 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 an increase in the net position of \$989,744 in business-type activities because the net pension liability was reported in governmental activities.

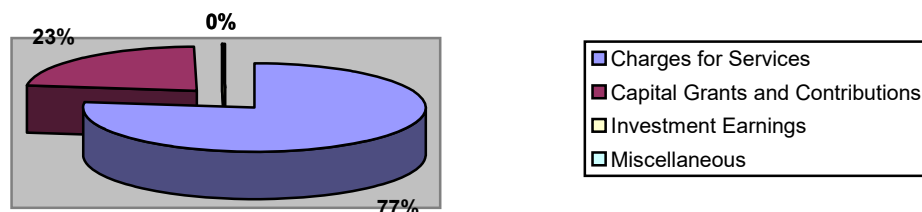
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### Expenses and Program Revenues – Business-type Activities




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### 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 \$5,156,033, an increase of \$252,111.

The fund balance of the City's general fund increased by \$54,041 during the current fiscal year. Overall revenues were \$752,744 more than budgeted of which \$458,120 was reported as a favorable variance due to grant reimbursements and \$274,647 was reported as a favorable variance due to tax collections. The City's overall expenditures were over budget by \$348,575 of which consists of completion of a capital project, vacancies which created overtime, emergency management and capital outlay. Capital outlay overage was derived from the revenue overages. The Code Enforcement department generated a significant positive budget variance because of vacancies and the Finance capital outlay project was postponed to a later date.

The fund balance of the City's capital projects fund decreased by \$48,342 during the current fiscal year for expenditures related to ongoing projects.

## Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets as of June 30, 2017 amounts to \$33,962,245 (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:

- In business-type activities, capital improvements on Booster Pump Station of \$643,905, the wastewater treatment plant for \$829,016.
- In public works, continued progress on the I-95 Loop Project for \$45,866, S. Jefferies Streetscape for \$159,999, North Lemacks Phase II of \$107,384, and \$40,250 was capitalized for a water fountain.
- In the fire department, building and improvements for fire station for \$24,803, fire equipment for \$101,693 and a new fire truck for \$372,760 were capitalized.
- In the park department, a John Deere tractor for \$10,030 and the Discovery Center for \$66,597 was capitalized.
- In the police department, vehicles for \$89,969 were capitalized.

CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS						
	Governmental Activities		Business -Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Land Improvements	\$ 1,257,063	\$ 1,257,063	\$ 44,773	\$ 44,773	\$ 1,301,836	\$ 1,301,836
Construction in progress	268,482	2,326,500	1,081,041	1,167,555	1,349,523	3,494,055
Buildings and Improvements	2,941,257	3,020,179	57,170	42,622	2,998,427	3,062,801
Machinery and Equipment	559,582	665,504	35,321	57,464	594,903	722,968
Vehicles	1,149,972	1,357,858	507,835	204,718	1,657,807	1,562,576
Infrastructure	5,054,126	2,692,199	21,005,623	19,855,813	26,059,749	22,548,012
Total	<u>\$ 11,230,482</u>	<u>\$ 11,319,303</u>	<u>\$ 22,731,763</u>	<u>\$ 21,372,945</u>	<u>\$ 33,962,245</u>	<u>\$ 32,692,248</u>

Additional information on the City's capital assets can be found in note 5 beginning 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 \$16,304,424. 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. New debt consisted of \$1,480,000 in a revenue bond in the business-type activities and \$372,760 in a capital lease for a fire truck in the governmental activities. A capital lease for sanitation equipment was transferred from governmental activities to business-type activities. All debt payments were made as scheduled. Changes in outstanding debt are summarized below.

CITY OF WALTERBORO, SOUTH CAROLINA OUTSTANDING OBLIGATION						
	Governmental Activities		Business -Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 1,135,737	\$ 1,299,360	\$ -	\$ -	\$ 1,135,737	\$ 1,299,360
Revenue Bonds	1,037,634	1,290,814	4,568,975	3,412,821	5,606,609	4,703,635
Capital Lease	446,896	292,880	104,539	-	551,435	292,880
Annual Leave	178,836	199,313	67,879	43,786	246,715	243,099
Net Pension Liability	8,763,928	6,965,343	-	-	8,763,928	6,965,343
Total	<u>\$ 11,563,031</u>	<u>\$ 10,047,710</u>	<u>\$ 4,741,393</u>	<u>\$ 3,456,607</u>	<u>\$ 16,304,424</u>	<u>\$ 13,504,317</u>

State statutes limit the amount of general obligations debt a governmental entity may issue, without a referendum, to 8% of its total assessed valuation. The current debt limitation for the City is \$2,402,871 of which \$1,136,737 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**

- While the national economy remains constant, the City has experienced continued growth in the retail and hospitality sectors which has stabilized the local economy. Local accommodation taxes had an increase of 11.7% while local hospitality had an increase of 4.7%.
- Property taxes increased by 1.0% primarily due to growth.
- The City's 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.

The City set the millage for the 2018 budget at 86.4 mills. Budgeted general fund expenditures for 2018 are projected to be \$7,155,211. This represents an increase of \$407,849 compared to budgeted expenditures in 2017. Also, the City has budgeted \$4,114,100 in expenses for the proprietary fund in 2018. This represents an increase of \$91,950 compared to budgeted expenditures in 2017.

**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, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tourism Commission	Development Corporation
<b>ASSETS</b>					
Cash	\$ 5,109,259	\$ 930,675	\$ 6,039,934	\$ 19,856	\$ 78,469
Receivables	876,444	1,190,863	2,067,307	28,379	-
Inventories	-	144,221	144,221	-	-
Notes Receivable	3,987	-	3,987	-	-
Restricted Cash	-	1,784,545	1,784,545	-	-
Capital Assets, being depreciated	9,704,937	21,605,949	31,310,886	-	-
Capital Assets, not being depreciated	1,525,545	1,125,814	2,651,359	-	-
Total Assets	17,220,172	26,782,067	44,002,239	48,235	78,469
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows on Net Pension Liability	2,114,379	-	2,114,379	-	-
Total Deferred Outflows of Resources	2,114,379	-	2,114,379	-	-
Total Assets and Deferred Outflows of Resources	\$ 19,334,551	\$ 26,782,067	\$ 46,116,618	\$ 48,235	\$ 78,469
<b>LIABILITIES</b>					
Accounts Payable	\$ 436,406	\$ 319,512	\$ 755,918	\$ -	\$ -
Salaries and Benefits Payable	295,581	22,521	318,102	-	-
Interest Payable	11,262	9,765	21,027	-	-
Unearned Revenues	2,391	-	2,391	-	-
Customer Deposits	-	276,326	276,326	-	-
Noncurrent Liabilities:					
Due within one year	599,265	408,859	1,008,124	-	-
Due in more than one year	10,963,766	4,332,534	15,296,300	-	-
Total Liabilities	12,308,671	5,369,517	17,678,188	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows on Net Pension Liability	45,537	-	45,537	-	-
Total Deferred Inflows of Resources	45,537	-	45,537	-	-
<b>NET POSITION</b>					
Unrestricted	(3,147,767)	1,569,756	(1,578,011)	-	28,699
Restricted:					
Debt Service Escrow	-	1,784,545	1,784,545	-	-
Tourism	899,138	-	899,138	48,235	-
Other (see note 11)	129,186	-	129,186	-	49,770
Net Investment in Capital Assets	9,099,786	18,058,249	27,158,035	-	-
Total Net Position	6,980,343	21,412,550	28,392,893	48,235	78,469
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,334,551	\$ 26,782,067	\$ 46,116,618	\$ 48,235	\$ 78,469

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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Tourism Commission	Development Corporation
<b>Primary Government</b>									
Governmental Activities									
Mayor and Council	\$ 205,110	\$ -	\$ -	\$ -	\$ (205,110)	\$ -	\$ (205,110)	\$ -	\$ -
Housing Project	59	-	-	-	(59)	-	(59)	-	-
Police	2,784,237	158,317	163,631	-	(2,462,289)	-	(2,462,289)	-	-
Fire	1,332,419	-	27,933	-	(1,304,486)	-	(1,304,486)	-	-
Parks	611,094	-	-	58,183	(552,911)	-	(552,911)	-	-
Tourism Development	440,156	-	-	-	(440,156)	-	(440,156)	-	-
Finance	352,254	-	-	-	(352,254)	-	(352,254)	-	-
City Manager	275,356	-	-	-	(275,356)	-	(275,356)	-	-
Public Works	1,178,124	-	-	766,289	(411,835)	-	(411,835)	-	-
Codes Enforcement	176,955	67,564	-	-	(109,391)	-	(109,391)	-	-
Judicial	210,250	2,974	-	-	(207,276)	-	(207,276)	-	-
Administration	257,844	-	-	-	(257,844)	-	(257,844)	-	-
Interest on long-term debt	76,000	-	-	-	(76,000)	-	(76,000)	-	-
Total Governmental Activities	7,899,858	228,855	191,564	824,472	(6,654,967)	-	(6,654,967)	-	-
Business-type Activities									
Water	1,405,744	2,324,598	-	1,225,276	-	2,144,130	2,144,130	-	-
Sewer	1,146,176	1,370,321	-	-	-	224,145	224,145	-	-
Sewer Support	296,326	-	-	-	-	(296,326)	(296,326)	-	-
Utility Support	308,279	-	-	-	-	(308,279)	(308,279)	-	-
Sanitation	530,106	434,146	-	-	-	(95,960)	(95,960)	-	-
Total Business-type Activities	3,686,631	4,129,065	-	1,225,276	-	1,667,710	1,667,710	-	-
Total Primary Government	\$ 11,586,489	\$ 4,357,920	\$ 191,564	\$ 2,049,748	(6,654,967)	1,667,710	(4,987,257)	-	-

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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Tourism Commission	Development Corporation
<b>Component Units</b>									
Tourism Commission	\$ 150,474	\$ -	\$ 184,157	\$ -				33,683	-
Development Corporation	60,462	-	6,469	-				-	(53,993)
Total Component Units	<u>\$ 210,936</u>	<u>\$ -</u>	<u>\$ 190,626</u>	<u>\$ -</u>				<u>33,683</u>	<u>(53,993)</u>
General Revenues									
Property Taxes					1,667,004	-	1,667,004	-	-
Local Option Sales Taxes					1,441,314	-	1,441,314	-	-
Hospitality and Accommodations Taxes					1,039,793	-	1,039,793	-	-
Business Licenses					2,341,419	-	2,341,419	-	-
Grants and Contributions not restricted to specific programs					123,622	-	123,622	-	-
Investment Earnings					10,476	2,570	13,046	-	-
Miscellaneous					203,948	12,245	216,193	-	-
Transfers					(212,690)	212,690	-	-	-
Total General Revenues and Transfers					<u>6,614,886</u>	<u>227,505</u>	<u>6,842,391</u>	<u>-</u>	<u>-</u>
Change in Net Position					(40,081)	1,895,215	1,855,134	33,683	(53,993)
Net Position, Beginning					<u>7,020,424</u>	<u>19,517,335</u>	<u>26,537,759</u>	<u>14,552</u>	<u>132,462</u>
Net Position, Ending					<u>\$ 6,980,343</u>	<u>\$ 21,412,550</u>	<u>\$ 28,392,893</u>	<u>\$ 48,235</u>	<u>\$ 78,469</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 4,108,201	\$ 109,051	\$ 892,007	\$ 5,109,259
Receivables	373,155	335,941	167,348	876,444
Notes Receivable	-	-	3,987	3,987
Total Assets	<u>\$ 4,481,356</u>	<u>\$ 444,992</u>	<u>\$ 1,063,342</u>	<u>\$ 5,989,690</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 64,877	\$ 336,917	\$ 34,612	\$ 436,406
Salaries and Benefits Payable	295,581	-	-	295,581
Total Liabilities	<u>360,458</u>	<u>336,917</u>	<u>34,612</u>	<u>731,987</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues-property taxes	95,292	-	-	95,292
Unavailable revenues-receivables	1,266	1,125	3,987	6,378
Total Deferred Inflows of Resources	<u>96,558</u>	<u>1,125</u>	<u>3,987</u>	<u>101,670</u>
<b>FUND BALANCES</b>				
Unassigned	4,024,340	-	-	4,024,340
Assigned	-	103,369	-	103,369
Restricted	-	3,581	125,605	129,186
Committed	-	-	899,138	899,138
Total Fund Balances	<u>4,024,340</u>	<u>106,950</u>	<u>1,024,743</u>	<u>5,156,033</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,481,356</u>	<u>\$ 444,992</u>	<u>\$ 1,063,342</u>	<u>\$ 5,989,690</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, 2017**

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

Total fund balances for governmental funds	\$	5,156,033
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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		268,482	
Buildings and Improvements, net of \$1,549,721 accumulated depreciation		2,941,257	
Machinery and Equipment, net of \$1,696,562 accumulated depreciation		559,582	
Vehicles, net of \$2,094,959 accumulated depreciation		1,149,972	
Infrastructure, net of \$519,732 accumulated depreciation		<u>5,054,126</u>	
Total Capital Assets			11,230,482

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

Deferred outflows of resources:		2,114,379	
Related to pensions			
Deferred inflows of resources:			
Related to pensions		(45,537)	
Related to receivables		<u>99,279</u>	
Total deferred outflows and inflows of resources			2,168,121

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 end of year are:

Accrued Interest Payable		(11,262)	
Bonds Payable		(2,173,371)	
Capital Leases		(446,896)	
Net Pension Liability		(8,763,928)	
Accrued Compensated Absences		<u>(178,836)</u>	
Total Long-Term Liabilities			<u>(11,574,293)</u>

Total net position of governmental activities	\$	<u><u>6,980,343</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, 2017**

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 5,508,647	\$ -	\$ 998,468	\$ 6,507,115
Fines, Fees and Licenses	228,855	-	-	228,855
Intergovernmental	123,622	-	-	123,622
Miscellaneous	481,775	659,561	89,124	1,230,460
Total Revenues	<u>6,342,899</u>	<u>659,561</u>	<u>1,087,592</u>	<u>8,090,052</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Mayor and Council	197,444	-	-	197,444
Housing Project	-	-	59	59
Police	2,352,516	3,577	13,678	2,369,771
Fire	1,160,516	-	27,563	1,188,079
Parks	436,332	-	-	436,332
Tourism Development	144,577	-	287,115	431,692
Finance	324,552	-	-	324,552
City Manager	249,319	-	-	249,319
Public Works	888,600	-	-	888,600
Codes Enforcement	167,610	-	-	167,610
Judicial	197,665	-	-	197,665
Administration	268,405	-	-	268,405
<b>Capital Outlay</b>				
Police	89,969	-	-	89,969
Fire	126,496	372,760	-	499,256
Parks	10,030	49,770	16,827	76,627
Public Works	198,249	148,151	7,099	353,499
<b>Debt Service</b>				
Principal	237,175	-	253,181	490,356
Interest	43,482	-	31,579	75,061
Total Expenditures	<u>7,092,937</u>	<u>574,258</u>	<u>637,101</u>	<u>8,304,296</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	372,760	-	372,760
Transfers In	807,079	-	3,000	810,079
Transfers Out	(3,000)	(506,405)	(207,079)	(716,484)
Total Other Financing Sources (Uses)	<u>804,079</u>	<u>(133,645)</u>	<u>(204,079)</u>	<u>466,355</u>
Net Change in Fund Balances	54,041	(48,342)	246,412	252,111
Fund Balances, Beginning	3,970,299	155,292	778,331	4,903,922
Fund Balances, Ending	<u>\$ 4,024,340</u>	<u>\$ 106,950</u>	<u>\$ 1,024,743</u>	<u>\$ 5,156,033</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, 2017**

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	\$	252,111
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,019,351) exceeded depreciation (\$656,696) in the current period.		362,655
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease in net position.		(306,285)
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.		(372,760)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		490,356
Governmental funds report 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	\$ (1,000,235)	
Cost of benefits earned net of employee contributions	<u>532,124</u>	
Net change in pension contributions		(468,111)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(17,585)
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	20,477	
Accrued interest	<u>(939)</u>	
Net change in expenses		<u>19,538</u>
Total change in net position of governmental activities	\$	<u><u>(40,081)</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, 2017**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 930,675
Receivables	1,190,863
Inventories	144,221
Total Current Assets	<u>2,265,759</u>
Noncurrent Assets	
Restricted Cash	1,784,545
Capital Assets - not being depreciated	1,125,814
Capital Assets - being depreciated	21,605,949
Total Noncurrent Assets	<u>24,516,308</u>
Total Assets	<u>26,782,067</u>
Total Assets	<u><u>\$ 26,782,067</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 319,512
Salaries and Benefits Payable	22,521
Interest Payable	9,765
Current Portion of Long-term Liabilities	408,859
Customer Deposits	276,326
Total Current Liabilities	<u>1,036,983</u>
Noncurrent Liabilities	
Revenue Bonds Payable	4,269,655
Compensated Absences	62,879
Total Noncurrent Liabilities	<u>4,332,534</u>
Total Liabilities	<u>5,369,517</u>
<b>NET POSITION</b>	
Unrestricted	1,569,756
Restricted for Debt Escrow	1,784,545
Net Investment in Capital Assets	18,058,249
Total Net Position	<u>21,412,550</u>
Total Liabilities and Net Position	<u><u>\$ 26,782,067</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, 2017**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Sales	\$ 2,324,598
Sewer Charges	1,370,321
Sanitation Charges	434,146
Total Operating Revenues	<u>4,129,065</u>
<b>OPERATING EXPENSES</b>	
Costs of Sales and Services	
Water	1,013,894
Sewer	748,058
Sewer Support	296,326
Utility Support	227,919
Sanitation	429,009
Depreciation	885,260
Total Operating Expenses	<u>3,600,466</u>
Operating Income	<u>528,599</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Sale of Surplus Equipment	12,245
Investment Income	2,570
Interest Expense	(77,790)
Bank Charges	(8,375)
Total Nonoperating Revenues (Expenses)	<u>(71,350)</u>
Income Before Contributions and Transfers	457,249
Grant Revenue	1,225,276
Capital Contributions	306,285
Transfers In	506,405
Transfers Out	<u>(600,000)</u>
Change in Net Position	1,895,215
Net Position, Beginning	19,517,335
Net Position, Ending	<u><u>\$ 21,412,550</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, 2017**

	Business-type Activities Enterprise Funds Water, Sewer & Sanitation
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 3,678,284
Cash paid for operating goods and services	(1,759,836)
Cash paid to employees	(886,052)
Net Cash Provided (Used) by Operating Activities	<u>1,032,396</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers between other funds	(93,595)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(93,595)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Transfers of capital assets between funds	306,285
Principal paid on capital debt	(364,498)
Bonds issued for capital debt	1,480,000
Grant and Developer Contributions	1,225,276
Interest paid on capital debt	(74,024)
Disposal of capital assets	5,100
Acquisition and construction of capital assets	(2,084,732)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>493,407</u>
<b>Cash Flows From Investing Activities</b>	
Interest received on investments	(5,805)
Net Cash Provided (Used) by Investing Activities	<u>(5,805)</u>
 NET INCREASE (DECREASE) IN CASH	 1,426,403
CASH AT BEGINNING OF YEAR	1,288,817
CASH AT END OF YEAR	<u><u>\$ 2,715,220</u></u>
 <b>Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income	\$ 528,599
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	885,260
(Increase) decrease in accounts receivable	(412,011)
(Increase) decrease in inventories	105,310
(Increase) decrease in interfund receivables	(3,505)
Increase (decrease) in accounts payable	(58,812)
Increase (decrease) in salaries and benefits payable	2,232
Increase (decrease) in annual leave	24,093
Increase (decrease) in deferred revenues	(43,498)
Increase (decrease) in customer deposits	4,728
Total adjustments	<u>503,797</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,032,396</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, 2017**

	<b>Post Retirement Fund</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash	\$ 1,585,221	\$ 31,034
Total Assets	<u>\$ 1,585,221</u>	<u>\$ 31,034</u>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Liabilities		
Due to Others	\$ -	\$ 31,034
Total Liabilities	<u>-</u>	<u>\$ 31,034</u>
	<hr/>	<hr/>
Net Position		
Held in trust for employee health benefits	1,585,221	
Total Net Position	<u>\$ 1,585,221</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, 2017**

	<b>Post Retirement Fund</b>
<b>Additions</b>	
Employer Contributions	\$ 214,620
Investment Income (Loss)	(34,213)
Total Additons	<u>180,407</u>
<b>Deductions</b>	
Administrative Expense	<u>11,291</u>
Total Deductions	<u>11,291</u>
Change in Net Position	169,116
Net Position, Beginning of Year	<u>1,416,105</u>
Net Position, End of Year	<u><u>\$ 1,585,221</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, 2017**

**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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**Discretely Presented Component Units**

The Walterboro Tourism Commission is fiscally dependent upon the government because the City Council approves the budget and can significantly influence the decisions of the Walterboro Tourism Commission. The Walterboro Tourism Commission does not issue separate financial statements.

Three of the five members of the Walterboro Development Corporation are appointed by the Council. The Walterboro Development Corporation is fiscally dependent upon the government because the City Council approves the budget and can significantly influence the decisions of the Walterboro Development Corporation. The Walterboro Development Corporation does not issue separate 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 program functions of the government. Eliminations of these charges would distort the direct costs and program revenues for the various functions concerned.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

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, sewer and sanitation 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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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**

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, 2017**

**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, donated works of art and similar items, received in a service concession arrangement should be reported at acquisition value rather than fair value. 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, 2017**

**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, 2017**

**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. These 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 2016 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, 2017**

**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, 2017**

**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, 2017, the bank balances were \$7,021,802. 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, 2017.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2017, 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	Component Units
Taxes	\$ 644,924	\$ -	\$ 165,271	\$ -	\$ 810,195	\$ -
Fines and Fees	-	-	2,077	-	2,077	-
Intergovernmental	30,481	-	-	-	30,481	-
Accounts	-	-	-	796,195	796,195	-
Other	4,011	335,941	-	499,251	839,203	28,379
Gross receivables	679,416	335,941	167,348	1,295,446	2,478,151	28,379
Allowance for uncollectible accounts	(306,261)	-	-	(104,583)	(410,844)	-
Net total receivables	\$ 373,155	\$ 335,941	\$ 167,348	\$ 1,190,863	\$ 2,067,307	\$ 28,379

The net amount of delinquent taxes receivable at June 30, 2017 is \$107,313 of which \$95,292 is not expected to be collected within 60 days. Also, \$3,987 of housing notes receivable is not expected to be collected within the next year and grant drawdowns of \$2,391 not spent in the governmental funds are on hand.

**Notes Receivable**

The City has notes receivable from various individuals for \$5,986 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 \$3,987 is to be recognized as the payments are collected.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

<b>Governmental Activities</b>	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers Out</b>	<b>June 30, 2017</b>
<i>Capital assets not being depreciated</i>					
Land and improvements	\$ 1,257,063	\$ -	\$ -	\$ -	\$ 1,257,063
Construction in progress	2,326,500	379,846	2,437,864	-	268,482
Total capital assets, not being depreciated	<u>3,583,563</u>	<u>379,846</u>	<u>2,437,864</u>	<u>-</u>	<u>1,525,545</u>
<i>Capital assets being depreciated</i>					
Buildings and improvements	4,466,175	24,803	-	-	4,490,978
Machinery and equipment	2,347,426	111,723	-	203,005	2,256,144
Vehicles	4,078,000	462,729	147,443	1,148,355	3,244,931
Infrastructure	3,095,744	2,478,114	-	-	5,573,858
Total capital assets being depreciated	<u>13,987,345</u>	<u>3,077,369</u>	<u>147,443</u>	<u>1,351,360</u>	<u>15,565,911</u>
Less accumulated depreciation for:					
Buildings and improvements	1,445,996	103,725	-	-	1,549,721
Machinery and equipment	1,681,922	217,645	-	203,005	1,696,562
Vehicles	2,720,142	219,139	147,443	696,879	2,094,959
Infrastructure	403,545	116,187	-	-	519,732
Total accumulated depreciation	<u>6,251,605</u>	<u>656,696</u>	<u>147,443</u>	<u>899,884</u>	<u>5,860,974</u>
Total capital assets being depreciated, net	<u>7,735,740</u>	<u>2,420,673</u>	<u>-</u>	<u>451,476</u>	<u>9,704,937</u>
Governmental activity capital assets, net	<u>\$ 11,319,303</u>	<u>\$ 2,800,519</u>	<u>\$ 2,437,864</u>	<u>\$ 451,476</u>	<u>\$ 11,230,482</u>

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

<b>Governmental Activities</b>	
City Manager	\$ 8,002
Finance	15,757
Fire	57,165
Mayor and Council	498
Parks, Recreation and Tourism	153,326
Planning and Codes	3,609
Police	251,254
Public Works	167,085
Total depreciation expense - governmental activities	<u>\$ 656,696</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

<b>Business-Type</b>	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers In</b>	<b>June 30, 2017</b>
<i>Capital assets not being depreciated</i>					
Land and improvements	\$ 44,773	\$ -	\$ -	\$ -	\$ 44,773
Construction in progress	1,167,555	1,557,882	1,644,396	-	1,081,041
Total capital assets, not being depreciated	1,212,328	1,557,882	1,644,396	-	1,125,814
<i>Capital assets being depreciated</i>					
Water system and improvements	15,903,208	1,184,672	-	-	17,087,880
Sewer system and improvements	15,647,371	663,494	-	-	16,310,865
Buildings and improvements	249,971	25,850	-	-	275,821
Machinery and equipment	697,740	-	17,520	203,005	883,225
Vehicles	441,919	-	-	1,148,355	1,590,274
Total capital assets being depreciated	32,940,209	1,874,016	17,520	1,351,360	36,148,065
Less accumulated depreciation for:					
Water system and improvements	5,258,235	357,024	5,100	-	5,610,159
Sewer system and improvements	6,436,531	346,432	-	-	6,782,963
Buildings and improvements	207,349	11,302	-	-	218,651
Machinery and equipment	640,276	22,143	17,520	203,005	847,904
Vehicles	237,201	148,359	-	696,879	1,082,439
Total accumulated depreciation	12,779,592	885,260	22,620	899,884	14,542,116
Total capital assets being depreciated, net	20,160,617	988,756	(5,100)	451,476	21,605,949
Business-type activity capital assets, net	\$ 21,372,945	\$ 2,546,638	\$ 1,639,296	\$ 451,476	\$ 22,731,763

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

<b>Business-Type Activities</b>	
Water	\$ 391,850
Sewer	394,352
Sanitation	99,058
Total depreciation expense - business-type activities	<u>\$ 885,260</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Transfers**

<b>Transfer Out</b>	<b>Transfers In</b>			
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
General Fund	\$ -	\$ 3,000	\$ -	\$ 3,000
Capital Projects	-	-	506,405	506,405
Water and Sewer Fund	600,000	-	-	600,000
Other Governmental Funds	207,079	-	-	207,079
Total transfers out	<u>\$ 807,079</u>	<u>\$ 3,000</u>	<u>\$ 506,405</u>	<u>\$ 1,316,484</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, and (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, 2017:

<b>Governmental Activities</b>	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers Out</b>	<b>June 30, 2017</b>	<b>Due Within A Year</b>
Bonds Payable:						
General obligation	\$ 1,299,360	\$ -	\$ 163,623	\$ -	\$ 1,135,737	\$ 168,253
Tax increment financing debt	681,789	-	133,726	-	548,063	137,300
Revenue bond	609,025	-	119,454	-	489,571	122,646
Total bonds	<u>2,590,174</u>	<u>-</u>	<u>416,803</u>	<u>-</u>	<u>2,173,371</u>	<u>428,199</u>
Capital lease	292,880	372,760	73,553	145,191	446,896	146,066
Net Pension Liability	6,965,343	2,309,327	510,742	-	8,763,928	-
Compensated absences	199,313	47,894	68,371	-	178,836	25,000
Total	<u>\$ 10,047,710</u>	<u>\$ 2,729,981</u>	<u>\$ 1,069,469</u>	<u>\$ 145,191</u>	<u>\$ 11,563,031</u>	<u>\$ 599,265</u>
<b>Business-Type Activities</b>	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers In</b>	<b>June 30, 2017</b>	<b>Due Within A Year</b>
Bonds Payable:						
Revenue bonds	\$ 3,412,821	\$ 1,480,000	\$ 323,846	\$ -	\$ 4,568,975	\$ 362,547
Capital lease	-	-	40,652	145,191	104,539	41,312
Compensated absences	43,786	46,277	22,184	-	67,879	5,000
Total	<u>\$ 3,456,607</u>	<u>\$ 1,526,277</u>	<u>\$ 386,682</u>	<u>\$ 145,191</u>	<u>\$ 4,741,393</u>	<u>\$ 408,859</u>



**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

Long-term debt payable at June 30, 2017 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, have 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Vehicles and radios	\$ 924,859	\$ 204,957
Less accumulated depreciation	(378,942)	(44,408)
Net book value	<u>\$ 545,917</u>	<u>\$ 160,549</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

	<b>Payment</b>	
<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2018	\$ 154,453	\$ 42,691
2019	78,603	42,691
2020	78,603	21,346
2021	78,603	-
2021	78,603	-
Total	468,865	106,728
Less amount representing interest	(21,969)	(2,189)
Present value of minimum lease payments	<u>\$ 446,896</u>	<u>\$ 104,539</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%.

<b>Balance</b>
<u>\$ 1,135,737</u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 168,253	\$ 37,405	\$ 205,658
2019	173,122	32,636	205,758
2020	102,155	27,727	129,882
2021	105,720	24,162	129,882
2022	109,410	20,472	129,882
2023-2026	477,077	42,541	519,618
Total	<u>\$ 1,135,737</u>	<u>\$ 184,943</u>	<u>\$ 1,320,680</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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%.

\$ 548,063

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>
2018	\$ 137,300	\$ 13,106	\$ 150,406
2019	140,969	9,437	150,406
2020	144,735	5,670	150,405
2021	125,059	2,905	127,964
Total	<u>\$ 548,063</u>	<u>\$ 31,118</u>	<u>\$ 579,181</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%.

\$ 489,571

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>
2018	\$ 122,646	\$ 11,707	\$ 134,353
2019	125,924	8,430	134,354
2020	129,289	5,065	134,354
2021	111,712	2,598	114,310
Total	<u>\$ 489,571</u>	<u>\$ 27,800</u>	<u>\$ 517,371</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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><b>Balance</b></u>
\$3,459,914 Sewer Line Rehabilitation Bond Series 2011B, due in quarterly payments of \$17,833 at 2.98% interest through April 2022.	\$ 962,145
\$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% interest through December 2030.	2,126,830
\$1,480,000 Wastewater Treatment Plant Upgrade Bond payable in quarterly installments of \$22,071 at 1.8% interest through December 2037.	<u>1,480,000</u>
	<u><u>\$ 4,568,975</u></u>

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

<u><b>Fiscal Year Ending June 30,</b></u>	<u><b>Principal</b></u>	<u><b>Interest</b></u>	<u><b>Total</b></u>
2018	\$ 362,547	\$ 77,425	\$ 439,972
2019	402,337	81,776	484,113
2020	411,786	72,327	484,113
2021	421,521	62,592	484,113
2022	395,841	53,607	449,448
2026-2027	1,161,127	189,483	1,350,610
2028-2032	952,512	79,878	1,032,390
2033-2037	417,459	23,951	441,410
2038	43,845	296	44,141
Total	<u>\$ 4,568,975</u>	<u>\$ 641,335</u>	<u>\$ 5,210,310</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, 2017 amounted to \$178,836 and \$67,879, 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, 2017**

**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, 2017, the City contributed \$208,428 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	\$ 271,420
Less: Implicit Benefits	<u>(13,600)</u>
Annual OPEB cost (expense)	257,820
Health insurance premiums paid	(49,392)
Contributions made	<u>(208,428)</u>
decrease in net OPEB obligation	-
Net OPEB obligation-beginning of year	<u>-</u>
Net OPEB obligation-end of year	<u><u>\$ -</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 2017 and the preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 243,735	100.0%	-
2016	214,620	100.0%	-
2017	208,428	100.0%	

*Funded Status and Funding Progress* - The funded status of the plan as of June 30, 2017 was as follows. The actuarial accrued liability for benefits was \$3,809,567 and the actuarial value of assets was \$1,585,221, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,224,346. The covered payroll (annual payroll of active employees covered by the plan) was \$1,800,225, and the ratio of the UAAL to the covered payroll was 123.56 percent.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0 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.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Unit Credit Cost (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Percentage of Covered Payroll ((b-a)/c)</b>
6/30/2015	\$ 1,098,897	\$ 2,478,614	\$ 1,379,717	44.34%	\$ 2,396,744	57.57%
6/30/2016	1,416,105	3,387,136	1,971,031	41.81%	1,800,225	109.49%
6/30/2017	1,585,221	3,809,567	2,224,346	41.61%	1,800,225	123.56%

**Pension Plan**

**Description of the Entity**

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 State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Description of the Entity (Continued)**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 Descriptions**

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.

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

**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.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Membership (Continued)**

- 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 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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Benefits (Continued)**

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent 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.

Required employee contribution rates<sup>1</sup> are as follows:

	<u><b>Fiscal Year 2017</b></u>	<u><b>Fiscal Year 2016</b></u>
<b>SCRS</b>		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
<b>PORS</b>		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.



**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Contributions (Continued)**

Required employer contribution rates<sup>1</sup>are as follows:

	<u><b>Fiscal Year 2017</b></u>	<u><b>Fiscal Year 2016</b></u>
<b>SCRS</b>		
Employer Class Two	11.41%	10.91%
Employer Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	13.84%	13.34%
Employer Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

**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. Actuarial assumptions and methods used during the evaluation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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. An experience report on the System was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Actuarial Assumptions and Methods (Continued)**

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	<u><b>SCRS</b></u>	<u><b>PORS</b></u>
Actuarial Cost Method	Entry age normal	Entry age normal
Investments rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows:

<u><b>Former Job Class</b></u>	<u><b>Males</b></u>	<u><b>Females</b></u>
Educators	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 and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS and PORS are presented as follows:

<u><b>System</b></u>	<u><b>Total Pension Liability</b></u>	<u><b>Plan Fiduciary Net Position</b></u>	<u><b>Employers' Net Pension Liability</b></u>	<u><b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b></u>
<b>SCRS</b>	\$ 10,605,644	\$ 5,611,069	\$ 4,994,574	52.9%
<b>PORS</b>	9,529,632	5,760,177	3,769,354	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan's funding requirements.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, is based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes 4.75 percent real rate of return and a 2.75 percent inflation component.

<b>Asset class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina Code of Laws will remain unchanged in future years. 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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Sensitivity Analysis**

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

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
SCRS	\$ 6,230,595	\$ 4,994,574	\$ 3,965,634
PORS	4,940,194	3,769,354	2,717,327

**Pension Expense**

Components of the collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2016, are presented below:

<b>Description</b>	<b>SCRS</b>	<b>PORS</b>
Service cost (annual cost of current service)	\$ 178,496	\$ 232,675
Interest on the total pension liability	755,638	674,237
Changes in plan benefits	-	-
Plan administrative costs	3,075	3,052
Plan member contributions	(176,344)	(171,181)
Expected return on plan assets	(432,237)	(438,724)
Recognition of current year amortization - Difference between expected and actual experience	35,432	25,477
Recognition of current year amortization - Difference between projected and actual investment earnings	80,390	83,353
Other	233	(1,714)
<b>Total</b>	<b>\$ 444,683</b>	<b>\$ 407,175</b>

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharin multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

The following schedule reflects the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2016.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 107,705	\$ 5,424
Net difference between projected and actual earnings	847,616	-
Changes in proportion and differences between contributions and proportionate share of contributions	626,934	40,113
Contributions subsequent to the measurement date	532,124	-
<b>Total</b>	<b>\$ 2,114,379</b>	<b>\$ 45,537</b>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

<b>Difference between expected and actual experience</b>			
	<b>SCRS</b>	<b>PORS</b>	<b>Total</b>
<b>Balance</b>	\$ 46,351	\$ 55,930	\$ 102,281
<b>Amortization period<sup>1</sup></b>	4.17	4.77	4.47
<b>Amortized<sup>2</sup> period ending June 30,</b>			
2017	\$ (35,431)	(25,477)	\$ (60,908)
2018	(8,369)	(22,642)	(31,011)
2019	(2,243)	(5,360)	(7,603)
2020	(308)	(2,451)	(2,759)
<b>Difference between projected and actual investment earnings</b>			
	<b>SCRS</b>	<b>PORS</b>	<b>Total</b>
<b>Initial Balance</b>	\$ 420,204	\$ 427,412	\$ 847,616
<b>Amortization period<sup>3</sup></b>	5	5	5
<b>Amortized<sup>2</sup> period ending June 30,</b>			
2017	\$ (80,390)	\$ (83,353)	\$ (163,743)
2018	(80,390)	(83,353)	(163,743)
2019	(165,241)	(165,650)	(330,891)
2020	(94,183)	(95,056)	(189,239)

<sup>1</sup>In accordance with GASB 68, paragraph 71a, the difference between each year's expected and actual experience is required to be amortized over the average remaining service lives of all employees provided with pensions through the plan at June 30.

<sup>2</sup>Amount amortized and included in pension expense during the measurement period listed.

<sup>3</sup>In accordance with GASB 68, paragraph 71b, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed in Pension Expense.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Employer Contributions**

Employers' proportionate shares were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2016. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions toward the purchase of employee service purchases and employer contributions paid by employees.

**Financial and Actuarial Information**

The following table provides a reconciliation of employer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer Allocations.

	<u>SCRS</u>	<u>PORS</u>
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2016	\$ 250,820	\$ 260,399
Deduct: Employer Contributions Not Representative of Future Contribution Effort	<u>(387)</u>	<u>(90)</u>
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2016 Measurement Date	<u>\$ 250,433</u>	<u>\$ 260,309</u>

**Additional Financial and Actuarial Information**

Information contained in these Notes to the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2016, and the accounting and financial reporting actuarial valuation as of June 30, 2016. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

**401(K) Plan**

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

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – 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 receives 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 9 – RISK MANAGEMENT**

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

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

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

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

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

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

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

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

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

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

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – NET POSITION**

The following is a detail of the net investment in capital assets as reported on the Statement of Net Position:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<u>Net Investment in Capital Assets</u>		
Capital assets	\$ 11,230,482	\$ 22,731,763
Long-term debt	(11,563,031)	(4,741,393)
Add: Compensated absences included above	178,836	67,879
Net Pension Liability	8,763,928	-
Debt on VA facility not owned by the City	489,571	-
Net Investment in Capital Assets	<u>\$ 9,099,786</u>	<u>\$ 18,058,249</u>

**NOTE 11 – 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	\$ 428,268
Hospitality Tax	470,870
Total Committed Fund Balance	<u>\$ 899,138</u>
<u>Restricted</u>	
State accommodations tax restricted by the state for tourism	\$ 77,088
1% Funds restricted for firemen	13,311
Unspent grant funds restricted by the grant	3,581
Housing project funds restricted for low income housing projects	7,742
Victims witness funds restricted to expenditures to assist victims	27,464
Total Restricted Fund Balance	<u>\$ 129,186</u>
<u>Proprietary Fund</u>	
<u>Restricted</u>	
Funds restricted by bond ordinance for a debt service reserve	\$ 1,784,545
Total Restricted Net Position	<u>\$ 1,784,545</u>



**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – TAX ABATEMENTS**

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with the following as of June 30, 2017:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Provide health care to citizens in the area	47%	\$ 14,697

Industries that invest at least \$2.5 million in South Carolina may negotiate for a fee-in-lieu of property taxes. This can result in a savings of about 40% on property taxes otherwise due for a project. Certain large investments may be able to further reduce their liability by negotiating the assessment ratio from 10.5% down to 6%. For large investments, the assessment ratio can be reduced down to 4%. The City and the industry may agree to either set the millage rate for the entire agreement period or have the millage change every five years in step with the average millage rate for the area where the project is located. Any personal property subject to the fee in lieu of property taxes depreciates in accordance with South Carolina law, while the real property is either set at cost for the life of the agreement or can be appraised every five years.

A fee in lieu of property taxes is granted by, and at the discretion of, the city where the project is located. The industry must make the \$2.5 million investment over a five-year period to qualify. Large investment projects have eight years to meet their increased investment requirements. During this period, all property that is placed in service pursuant to the agreement is subject to a fee instead of ad valorem property taxes. A city may give the industry an additional five years to complete the project and place new property in service subject to the fee. A single piece of property can be subject to the fee for up to 40 years with the city's consent. The total project can be subject to the fee for up to 50 years with the city's consent.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 23, 2017, the date the financial statements were issued, and determined that the following significant events has occurred:

The City plans to renovate a building for a Discovery Center for a total estimated cost of \$2 million. This project anticipates funding to be in the form of grants for \$.5 million and a revenue bond of \$1.5 million.

# 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, 2017**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 5,234,000	\$ 5,234,000	\$ 5,508,647	\$ 274,647
Fines, Fees and Licenses	216,500	216,500	228,855	12,355
Intergovernmental	116,000	116,000	123,622	7,622
Miscellaneous	23,655	23,655	481,775	458,120
Total Revenues	5,590,155	5,590,155	6,342,899	752,744
EXPENDITURES				
Current				
Mayor and Council	173,940	173,940	197,444	(23,504)
Police	2,367,292	2,367,292	2,352,516	14,776
Fire	1,101,194	1,101,194	1,160,516	(59,322)
Parks	436,361	436,361	436,332	29
Tourism Development	145,366	145,366	144,577	789
Finance	319,101	319,101	324,552	(5,451)
City Manager	216,592	248,249	249,319	(1,070)
Public Works	891,417	891,417	888,600	2,817
Codes Enforcement	260,578	228,921	167,610	61,311
Judicial	194,983	194,983	197,665	(2,682)
Administration	276,905	276,905	268,405	8,500
Capital Outlay				
Finance	53,000	53,000	-	53,000
Police	-	-	89,969	(89,969)
Fire	-	-	126,496	(126,496)
Parks	-	-	10,030	(10,030)
Public Works	-	-	198,249	(198,249)
Debt Service				
Principal	253,948	253,948	237,175	16,773
Interest	53,685	53,685	43,482	10,203
Total Expenditures	6,744,362	6,744,362	7,092,937	(348,575)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,157,207	1,157,207	807,079	(350,128)
Transfers Out	(3,000)	(3,000)	(3,000)	-
Total Other Financing Sources (Uses)	1,154,207	1,154,207	804,079	(350,128)
Net Change in Fund Balances	-	-	54,041	54,041
Fund Balances, Beginning	3,970,299	3,970,299	3,970,299	-
Fund Balances, Ending	\$ 3,970,299	\$ 3,970,299	\$ 4,024,340	\$ 54,041

**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**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.022652%	0.022228%	0.023383%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3,899,923	\$ 4,215,647	\$ 4,994,574
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,082,192	\$ 2,264,917	\$ 2,253,646
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	187.30%	186.13%	221.62%
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	59.90%	57.00%	52.90%

**POLICE OFFICER RETIREMENT SYSTEMS (PORS)**

**Fiscal Year**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.11851%	0.12616%	0.14861%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,268,845	\$ 2,749,696	\$ 3,769,354
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,564,963	\$ 1,894,530	\$ 1,907,323
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	144.98%	145.14%	197.63%
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	67.50%	64.60%	60.40%

N/A - Not Available

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

**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**

**Fiscal Year**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 226,959	\$ 250,501	\$ 260,523
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	226,959	\$ 250,501	\$ 260,523
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	\$ 2,082,192	\$ 2,264,917	\$ 2,253,646
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.90%	11.06%	11.56%

**POLICE OFFICER RETIREMENT SYSTEMS (PORS)**

**Fiscal Year**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 209,861	\$ 260,309	\$ 271,601
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	209,861	\$ 260,309	\$ 271,601
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	\$ 1,564,963	\$ 1,894,530	\$ 1,907,323
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13.41%	13.74%	14.24%

\* Amounts presented for each fiscal year were determined as of June 30th.

N/A - Not Available

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFITS  
LAST TEN FISCAL YEARS**

**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						
6/30/2017	\$ 1,585,221	\$ 3,809,567	\$ 2,224,346	41.61%	\$ 1,800,225	123.56%
6/30/2016	1,416,105	3,387,136	1,971,031	41.81%	1,800,225	109.49%
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				
2017	\$ 208,428	\$ 208,428	\$ -	100.00%
2016	214,620	214,620	-	100.00%
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%

Information prior to year 2012 is not available.

# 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.
- State Accommodations Tax Accounts for revenues and expenditures that are restricted by State Law.
- 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.



**CITY OF WALTERBORO, SOUTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>Housing Project Fund</b>	<b>Police Fund</b>	<b>Firemens Fund</b>	<b>State Accom Tax Fund</b>	<b>Local Accom Tax Fund</b>	<b>Local Hospitality Tax Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>							
Cash	\$ 8,092	\$ 25,387	\$ 13,311	\$ 15,601	\$ 398,903	\$ 430,713	\$ 892,007
Receivables	-	2,077	-	94,596	30,518	40,157	167,348
Notes Receivable	3,987	-	-	-	-	-	3,987
Total Assets	<u>\$ 12,079</u>	<u>\$ 27,464</u>	<u>\$ 13,311</u>	<u>\$ 110,197</u>	<u>\$ 429,421</u>	<u>\$ 470,870</u>	<u>\$ 1,063,342</u>
<b>LIABILITIES</b>							
Current Liabilities							
Accounts Payable	\$ 350	\$ -	\$ -	\$ 33,109	\$ 1,153	\$ -	\$ 34,612
Total Liabilities	<u>350</u>	<u>-</u>	<u>-</u>	<u>33,109</u>	<u>1,153</u>	<u>-</u>	<u>34,612</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues-revolving loans	3,987	-	-	-	-	-	3,987
Total Deferred Inflows of Resources	<u>3,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,987</u>
<b>FUND BALANCES</b>							
Restricted	7,742	27,464	13,311	77,088	-	-	125,605
Committed	-	-	-	-	428,268	470,870	899,138
Total Fund Balances	<u>7,742</u>	<u>27,464</u>	<u>13,311</u>	<u>77,088</u>	<u>428,268</u>	<u>470,870</u>	<u>1,024,743</u>
Total Liabilities, Deferred Inflows of Resources, & Fund Balances	<u>\$ 12,079</u>	<u>\$ 27,464</u>	<u>\$ 13,311</u>	<u>\$ 110,197</u>	<u>\$ 429,421</u>	<u>\$ 470,870</u>	<u>\$ 1,063,342</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, 2017**

	Housing Project Fund	Police Fund	Firemens Fund	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ 291,493	\$ 249,460	\$ 457,515	\$ 998,468
Miscellaneous	8	51,898	27,933	23	8,813	449	89,124
Total Revenues	<u>8</u>	<u>51,898</u>	<u>27,933</u>	<u>291,516</u>	<u>258,273</u>	<u>457,964</u>	<u>1,087,592</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
Housing Project	59	-	-	-	-	-	59
Police	-	13,678	-	-	-	-	13,678
Fire	-	-	27,563	-	-	-	27,563
Tourism Development	-	-	-	269,373	17,742	-	287,115
<b>Capital</b>							
Parks	-	-	-	-	16,827	-	16,827
Public Works	7,099	-	-	-	-	-	7,099
<b>Debt Service</b>							
Principal	-	-	-	-	-	253,181	253,181
Interest	-	-	-	-	-	31,579	31,579
Total Expenditures	<u>7,158</u>	<u>13,678</u>	<u>27,563</u>	<u>269,373</u>	<u>34,569</u>	<u>284,760</u>	<u>637,101</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	3,000	-	-	-	-	3,000
Transfers Out	-	(27,079)	-	-	(90,000)	(90,000)	(207,079)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(24,079)</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>(204,079)</u>
Net Change in Fund Balances	(7,150)	14,141	370	22,143	133,704	83,204	246,412
Fund Balances, Beginning	14,892	13,323	12,941	54,945	294,564	387,666	778,331
Fund Balances, Ending	<u>\$ 7,742</u>	<u>\$ 27,464</u>	<u>\$ 13,311</u>	<u>\$ 77,088</u>	<u>\$ 428,268</u>	<u>\$ 470,870</u>	<u>\$ 1,024,743</u>

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. It also reports the revenues and expenses generated by the Sanitation Department.

**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, 2017**

	<b>Water, Sewer &amp; Sanitation</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Sales	\$ 2,276,500	\$ 2,276,500	\$ 2,324,598	\$ 48,098
Sewer Charges	1,322,500	1,322,500	1,370,321	47,821
Sanitation Charges	422,000	422,000	434,146	12,146
Total Operating Revenues	<u>4,021,000</u>	<u>4,021,000</u>	<u>4,129,065</u>	<u>108,065</u>
<b>OPERATING EXPENSES</b>				
Costs of Sales and Services				
Water	898,498	898,498	1,013,894	(115,396)
Sewer	707,776	707,776	748,058	(40,282)
Sewer Support	327,508	327,508	296,326	31,182
Utility Support	210,787	210,787	227,919	(17,132)
Sanitation	393,964	393,964	429,009	(35,045)
Depreciation	-	-	885,260	(885,260)
Total Operating Expenses	<u>2,538,533</u>	<u>2,538,533</u>	<u>3,600,466</u>	<u>(1,061,933)</u>
Operating Income	<u>1,482,467</u>	<u>1,482,467</u>	<u>528,599</u>	<u>(953,868)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Sale of Surplus Equipment	-	-	12,245	12,245
Investment Income	1,150	1,150	2,570	1,420
Interest Expense	(529,410)	(529,410)	(77,790)	451,620
Bank Charges	-	-	(8,375)	(8,375)
Total Nonoperating Revenues (Expenses)	<u>(528,260)</u>	<u>(528,260)</u>	<u>(71,350)</u>	<u>456,910</u>
Income Before Contributions and Transfers	954,207	954,207	457,249	(496,958)
Grant Revenue	-	-	1,225,276	1,225,276
Capital Contributions	-	-	306,285	306,285
Transfers In	-	-	506,405	506,405
Transfers Out	<u>(954,207)</u>	<u>(954,207)</u>	<u>(600,000)</u>	<u>354,207</u>
Change in Net Position	-	-	1,895,215	1,895,215
Net Position, Beginning	19,517,335	19,517,335	19,517,335	-
Net Position, Ending	<u>\$ 19,517,335</u>	<u>\$ 19,517,335</u>	<u>\$ 21,412,550</u>	<u>\$ 1,895,215</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, 2017**

	<b>Business-type Activities</b>			
	<b>Walterboro Water, Sewer &amp; Sanitation</b>	<b>Ruffin Water</b>	<b>Hendersonville Water &amp; Sewer</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets				
Cash	\$ 428,098	\$ 436,735	\$ 65,842	\$ 930,675
Receivables	1,169,846	7,975	13,042	1,190,863
Inventories	144,221	-	-	144,221
Total Current Assets	<u>1,742,165</u>	<u>444,710</u>	<u>78,884</u>	<u>2,265,759</u>
Noncurrent Assets				
Restricted Cash	1,784,545	-	-	1,784,545
Capital Assets, not being depreciated	1,125,814	-	-	1,125,814
Capital Assets, being depreciated	20,100,583	1,000,070	505,296	21,605,949
Total Noncurrent Assets	<u>23,010,942</u>	<u>1,000,070</u>	<u>505,296</u>	<u>24,516,308</u>
Total Assets	<u>\$ 24,753,107</u>	<u>\$ 1,444,780</u>	<u>\$ 584,180</u>	<u>\$ 26,782,067</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 319,512	\$ -	\$ -	\$ 319,512
Salaries and Benefits Payable	22,521	-	-	22,521
Interest Payable	9,765	-	-	9,765
Current Portion of Long-term Liabilities	408,859	-	-	408,859
Customer Deposits	276,326	-	-	276,326
Total Current Liabilities	<u>1,036,983</u>	<u>-</u>	<u>-</u>	<u>1,036,983</u>
Noncurrent Liabilities				
Revenue Bonds Payable	4,269,655	-	-	4,269,655
Compensated Absences	62,879	-	-	62,879
Total Noncurrent Liabilities	<u>4,332,534</u>	<u>-</u>	<u>-</u>	<u>4,332,534</u>
Total Liabilities	<u>5,369,517</u>	<u>-</u>	<u>-</u>	<u>5,369,517</u>
<b>NET POSITION</b>				
Unrestricted	1,046,162	444,710	78,884	1,569,756
Restricted	1,784,545	-	-	1,784,545
Net Investment in Capital Assets	16,552,883	1,000,070	505,296	18,058,249
Total Net Position	<u>19,383,590</u>	<u>1,444,780</u>	<u>584,180</u>	<u>21,412,550</u>
Total Liabilities and Net Position	<u>\$ 24,753,107</u>	<u>\$ 1,444,780</u>	<u>\$ 584,180</u>	<u>\$ 26,782,067</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, 2017**

	Business-type Activities			
	Walterboro Water, Sewer & Sanitation	Ruffin Water	Hendersonville Water & Sewer	Total
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Sales	\$ 2,265,904	\$ 50,626	\$ 8,068	\$ 2,324,598
Sewer Charges	1,365,737	-	4,584	1,370,321
Sanitation Charges	434,146	-	-	434,146
Total Operating Revenues	<u>4,065,787</u>	<u>50,626</u>	<u>12,652</u>	<u>4,129,065</u>
<b>OPERATING EXPENSES</b>				
Costs of Sales and Services				
Water	998,356	12,431	3,107	1,013,894
Sewer	748,058	-	-	748,058
Sewer Support	296,326	-	-	296,326
Utility Support	224,427	2,794	698	227,919
Sanitation	429,009	-	-	429,009
Depreciation	844,089	27,125	14,046	885,260
Total Operating Expenses	<u>3,540,265</u>	<u>42,350</u>	<u>17,851</u>	<u>3,600,466</u>
Operating Income	<u>525,522</u>	<u>8,276</u>	<u>(5,199)</u>	<u>528,599</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Sale of Surplus Equipment	12,245	-	-	12,245
Investment Income	2,570	-	-	2,570
Interest Expense	(77,790)	-	-	(77,790)
Bank Charges	(8,375)	-	-	(8,375)
Total Nonoperating Revenues (Expenses)	<u>(71,350)</u>	<u>-</u>	<u>-</u>	<u>(71,350)</u>
Income Before Contributions and Transfers	454,172	8,276	(5,199)	457,249
Grant Revenue	1,181,778	43,498	-	1,225,276
Capital Contributions	306,285	-	-	306,285
Transfers In	506,405	-	-	506,405
Transfers Out	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>
Change in Net Position	1,848,640	51,774	(5,199)	1,895,215
Net Position, Beginning	17,534,950	1,393,006	589,379	19,517,335
Net Position, Ending	<u>\$ 19,383,590</u>	<u>\$ 1,444,780</u>	<u>\$ 584,180</u>	<u>\$ 21,412,550</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.

**CITY OF WALTERBORO, SOUTH CAROLINA  
COMBINING STATEMENT OF NET POSITION  
AGENCY FUNDS  
JUNE 30, 2017**

	<u>Municipal Court</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 31,034	\$ 31,034
Total Assets	<u>\$ 31,034</u>	<u>\$ 31,034</u>
<b>LIABILITIES</b>		
Due to Others	\$ 31,034	\$ 31,034
Total Liabilities	<u>\$ 31,034</u>	<u>\$ 31,034</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, 2017**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Municipal Court</b>				
Assets				
Cash	\$ 45,586	\$ 405,924	\$ 420,476	\$ 31,034
Total Assets	<u>\$ 45,586</u>	<u>\$ 405,924</u>	<u>\$ 420,476</u>	<u>\$ 31,034</u>
Liabilities				
Due to Others	\$ 45,586	\$ 405,924	\$ 420,476	\$ 31,034
Total Liabilities	<u>\$ 45,586</u>	<u>\$ 405,924</u>	<u>\$ 420,476</u>	<u>\$ 31,034</u>
<b>Total All Agency Funds</b>				
Assets				
Cash	\$ 45,586	\$ 405,924	\$ 420,476	\$ 31,034
Total Assets	<u>\$ 45,586</u>	<u>\$ 405,924</u>	<u>\$ 420,476</u>	<u>\$ 31,034</u>
Liabilities				
Due to Others	\$ 45,586	\$ 405,924	\$ 420,476	\$ 31,034
Total Liabilities	<u>\$ 45,586</u>	<u>\$ 405,924</u>	<u>\$ 420,476</u>	<u>\$ 31,034</u>

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

## **COMPONENT UNITS**

### **Major Component Units**

Component Units are used to account for organizations that raise and hold economic resources for the direct benefit of the governmental unit and for which the elected officials of the primary government are financially accountable.

- Tourism Commission                      Accounts for funds received and expended for tourism in the Walterboro area.
- Development Corporation              Accounts for funds received and expended for economic development in the Walterboro area.

**CITY OF WALTERBORO, SOUTH CAROLINA  
BALANCE SHEET  
COMPONENT UNITS - WALTERBORO TOURISM COMMISSION  
JUNE 30, 2017**

	<u>General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 19,856	\$ 19,856
Receivables	28,379	28,379
Total Assets	<u>\$ 48,235</u>	<u>\$ 48,235</u>
<b>LIABILITIES</b>		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>		
Restricted	48,235	48,235
Total Fund Balances	<u>48,235</u>	<u>48,235</u>
Total Liabilities and Fund Balances	<u>\$ 48,235</u>	<u>\$ 48,235</u>

There are no reconciling items between the governmental funds balance sheet and the statement of net position.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**COMPONENT UNITS - WALTERBORO TOURISM COMMISSION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Total</u>
<b>REVENUES</b>		
Taxes	\$ 139,948	\$ 139,948
Miscellaneous	44,209	44,209
Total Revenues	<u>184,157</u>	<u>184,157</u>
<b>EXPENDITURES</b>		
<b>Current</b>		
Tourism Commission	150,474	150,474
Total Expenditures	<u>150,474</u>	<u>150,474</u>
Net Change in Fund Balances	33,683	33,683
Fund Balances, Beginning	14,552	14,552
Fund Balances, Ending	<u><u>\$ 48,235</u></u>	<u><u>\$ 48,235</u></u>

There are no reconciling items between the change in net position for governmental activities and the change in fund balances for governmental funds.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**BALANCE SHEET**  
**COMPONENT UNITS - WALTERBORO DEVELOPMENT CORPORATION**  
**JUNE 30, 2017**

	<u>General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 78,469	\$ 78,469
Total Assets	<u>\$ 78,469</u>	<u>\$ 78,469</u>
 <b>FUND BALANCES</b>		
Unassigned	\$ 78,469	\$ 78,469
Total Fund Balances	<u>78,469</u>	<u>78,469</u>
 Total Liabilities and Fund Balances	<u>\$ 78,469</u>	<u>\$ 78,469</u>

There are no reconciling items between the governmental funds balance sheet and the statement of net position.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**COMPONENT UNITS - WALTERBORO DEVELOPMENT CORPORATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Total</u>
<b>REVENUES</b>		
Miscellaneous	\$ 6,469	\$ 6,469
Total Revenues	<u>6,469</u>	<u>6,469</u>
<b>EXPENDITURES</b>		
<b>Current</b>		
Public Works	<u>60,462</u>	<u>60,462</u>
Total Expenditures	<u>60,462</u>	<u>60,462</u>
Net Change in Fund Balances	(53,993)	(53,993)
Fund Balances, Beginning	<u>132,462</u>	<u>132,462</u>
Fund Balances, Ending	<u><u>\$ 78,469</u></u>	<u><u>\$ 78,469</u></u>

There are no reconciling items between the change in net position for governmental activities and the change in fund balances for governmental funds.

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES  
FOR YEAR ENDED JUNE 30, 2017**

**Court Fines:**

Court Fines Collected	\$ 160,649
Court Fines Retained by City	<u>160,649</u>
 Court Fines Remitted to the State Treasurer	 <u>-</u>

**Court Assessments:**

Court Assessments Collected	<u>143,372</u>
 Court Assessments Remitted to State Treasurer	 <u>143,372</u>

**Court Surcharges:**

Court Surcharges Collected	<u>64,115</u>
 Court Surcharges Remitted to State Treasurer	 <u>64,115</u>

**Victims Assistance:**

Court Assessments Allocated to Victim Assistance	18,042
Court Surcharges Allocated to Victims Assistance	<u>9,732</u>
 Total Funds Allocated to Victim Assistance	 27,774
 Interest income	 10
Victim Services expenditures	<u>(28,801)</u>
 Change in fund balance	 (1,017)
 Fund Balance, beginning	 <u>3,164</u>
Fund Balance, ending	<u><u>\$ 2,147</u></u>

Composition of Fund Balance:

Cash	\$ 70
Accounts Receivable	<u>2,077</u>
Total Victims Fund Balance	<u><u>\$ 2,147</u></u>

# STATISTICAL SECTION



# CITY OF WALTERBORO, SOUTH CAROLINA

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	80-84
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.	85-90
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.	91-93
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.	94-95
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.	96-98

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GOVERNMENTAL ACTIVITIES</b>										
Unrestricted	\$ 3,430,996	\$ 3,535,149	\$ 3,769,894	\$ 2,047,147	\$ 3,560,906	\$ 4,277,937	\$ 3,863,337	\$ (1,143,143)	\$ (2,806,763)	\$ (3,147,767)
Restricted	-	-	-	3,030,465	832,985	432,882	529,392	614,751	781,910	1,028,324
Net Investment in Capital Assets	4,232,242	4,635,718	4,958,029	4,171,417	5,327,454	5,816,730	6,693,531	6,897,964	9,045,274	9,099,786
Total Governmental Activities Net Position	<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>\$ 6,369,572</u>	<u>\$ 7,020,421</u>	<u>\$ 6,980,343</u>
<b>BUSINESS TYPE ACTIVITIES</b>										
Unrestricted	\$ 3,147,922	\$ 2,393,260	\$ 1,730,109	\$ 1,884,528	\$ 1,681,917	\$ 1,215,029	\$ 1,343,194	\$ 292,491	\$ 1,342,285	\$ 1,569,756
Restricted	297,517	291,459	474,821	553,776	220,855	218,746	216,919	216,921	214,926	1,784,545
Net Investment in Capital Assets	14,255,836	15,348,091	16,335,109	16,181,612	16,900,565	17,221,121	17,384,428	17,202,523	17,960,124	18,058,249
Total Business-Type Activities Net Position	<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>	<u>\$ 19,517,335</u>	<u>\$ 21,412,550</u>
<b>PRIMARY GOVERNMENT</b>										
Unrestricted	\$ 6,578,918	\$ 5,928,409	\$ 5,500,003	\$ 3,931,675	\$ 5,242,823	\$ 5,492,966	\$ 5,206,531	\$ (850,652)	\$ (1,464,478)	\$ (1,578,011)
Restricted	297,517	291,459	474,821	3,584,241	1,053,840	651,628	746,311	831,672	996,836	2,812,869
Net Investment in Capital Assets	18,488,078	19,983,809	21,293,138	20,353,029	22,228,019	23,037,851	24,077,959	24,100,487	27,005,398	27,158,035
Total Business-Type Activities Net Position	<u>\$ 25,364,513</u>	<u>\$ 26,203,677</u>	<u>\$ 27,267,962</u>	<u>\$ 27,868,945</u>	<u>\$ 28,524,682</u>	<u>\$ 29,182,445</u>	<u>\$ 30,030,801</u>	<u>\$ 24,081,507</u>	<u>\$ 26,537,756</u>	<u>\$ 28,392,893</u>

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

**Schedule 2**

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental Activities:</b>										
Mayor/Council/Attorney/Judge	\$ 246,884	\$ 262,545	\$ 270,136	\$ 247,569	\$ 281,454	\$ 320,125	\$ 286,003	\$ 205,302	\$ 214,369	\$ 205,110
City Manager/City Clerk	200,570	195,999	201,594	202,258	200,892	205,092	286,797	234,493	237,284	275,356
Finance	359,167	383,635	398,053	410,047	418,214	419,543	417,064	376,923	417,915	352,254
Public Works	1,116,447	1,277,972	1,172,210	1,225,700	1,593,970	1,554,416	1,407,087	1,032,399	990,559	1,178,124
Planning/Code Enforcement	148,449	219,028	267,388	245,236	256,418	247,971	259,744	266,386	261,833	176,955
Judicial	322,306	348,408	165,602	172,612	171,159	163,941	162,026	161,538	177,325	210,250
Police	-	-	-	-	-	-	-	2,575,561	2,584,037	2,784,237
Fire	-	-	-	-	-	-	-	926,880	1,179,975	1,332,419
Public Safety	2,553,504	2,493,117	2,796,254	3,225,479	3,299,998	3,205,778	3,094,608	-	-	-
Sanitation	521,770	477,512	484,031	502,085	531,910	474,108	424,459	477,421	496,128	-
Parks	202,133	240,347	343,969	390,775	611,235	422,118	456,795	518,695	555,763	611,094
Tourism	204,435	194,839	336,880	411,048	405,685	383,688	405,642	461,868	437,928	440,156
Economic Development	-	-	-	126	-	-	-	-	-	-
Housing Project	695	1,088	17,313	9,618	5,065	511	403	15,404	62	59
Great Swamp	37,852	43,191	15,156	10,732	7,811	1,878	3,425	-	-	-
Non-Department Support	124,819	204,007	99,859	43,160	16,497	10,806	426,366	78,050	-	-
Administration	25,271	28,639	148,049	318,366	357,299	283,912	330,136	298,563	353,543	257,844
Bond Issue Costs	-	-	-	-	7,124	-	-	-	-	-
Interest on Long-term Debt	166,941	158,607	143,906	132,946	127,899	115,967	104,843	99,896	92,025	76,000
<b>Total Governmental Activities Expenses</b>	<b>6,231,243</b>	<b>6,528,934</b>	<b>6,860,400</b>	<b>7,547,757</b>	<b>8,292,630</b>	<b>7,809,854</b>	<b>8,065,398</b>	<b>7,729,379</b>	<b>7,998,746</b>	<b>7,899,858</b>
<b>Business-type Activities</b>										
Water	1,303,066	1,368,838	1,409,170	1,404,784	1,331,084	1,293,359	1,273,512	1,148,318	1,179,967	1,405,744
Sewer	718,335	752,910	792,298	829,683	879,746	932,388	957,505	1,314,793	1,097,332	1,146,176
Economic Development	-	-	-	68,501	62,593	68,023	68,479	-	-	-
Sewer Support	-	-	-	-	-	-	-	-	321,292	296,326
Utility Support	-	-	-	-	-	-	-	220,906	197,870	308,279
Sanitation	-	-	-	-	-	-	-	-	-	530,106
<b>Total Business Activities Expenses</b>	<b>2,021,401</b>	<b>2,121,748</b>	<b>2,201,468</b>	<b>2,302,968</b>	<b>2,273,423</b>	<b>2,293,770</b>	<b>2,299,496</b>	<b>2,684,017</b>	<b>2,796,461</b>	<b>3,686,631</b>
<b>Total Primary Government Expenses</b>	<b>8,252,644</b>	<b>8,650,682</b>	<b>9,061,868</b>	<b>9,850,725</b>	<b>10,566,053</b>	<b>10,103,624</b>	<b>10,364,894</b>	<b>10,413,396</b>	<b>10,795,207</b>	<b>11,586,489</b>
<b>Revenues</b>										
<b>Governmental Activities:</b>										
Program Revenues										
Charges for Services:										
General Government	702,424	822,334	639,338	700,018	622,509	628,855	616,257	656,286	673,814	228,855
Operating Grants and Contributions	25,639	11,771	11,605	342,816	716,300	538,107	65,940	75,482	162,333	191,564
Capital Grants and Contributions	594,950	6,600	223,121	162,357	173,416	594,727	1,018,140	143,807	2,071,341	824,472
<b>Total Governmental Activities Program Revenues</b>	<b>1,323,013</b>	<b>840,705</b>	<b>874,064</b>	<b>1,205,191</b>	<b>1,512,225</b>	<b>1,761,689</b>	<b>1,700,337</b>	<b>875,575</b>	<b>2,907,488</b>	<b>1,244,891</b>
<b>Business-Type Activities</b>										
Charges for Services:										
Water	1,687,985	1,761,218	1,895,381	1,992,832	2,261,966	1,986,115	2,083,265	2,165,111	2,298,824	2,324,598
Sewer	1,079,166	1,451,504	1,774,235	1,174,484	1,173,419	1,176,668	1,216,379	1,261,676	1,347,548	1,370,321
Sanitation	-	-	-	-	-	-	-	-	-	434,146
Capital Grants and Contributions	-	-	-	485,282	308,451	344,926	-	-	132,428	1,225,276
<b>Total Business-Type Activities Program Revenues</b>	<b>2,767,151</b>	<b>3,212,722</b>	<b>3,669,616</b>	<b>3,652,598</b>	<b>3,743,836</b>	<b>3,507,709</b>	<b>3,299,644</b>	<b>3,426,787</b>	<b>3,778,800</b>	<b>5,354,341</b>
<b>Total Primary Government Program Revenues</b>	<b>4,090,164</b>	<b>4,053,427</b>	<b>4,543,680</b>	<b>4,857,789</b>	<b>5,256,061</b>	<b>5,269,398</b>	<b>4,999,981</b>	<b>4,302,362</b>	<b>6,686,288</b>	<b>6,599,232</b>
<b>Net (Expense) Revenue</b>										
Governmental Activities	(4,908,230)	(5,688,229)	(5,986,336)	(6,342,566)	(6,780,405)	(6,048,165)	(6,365,061)	(6,853,804)	(5,091,258)	(6,654,967)
Business-Type Activities	745,750	1,090,974	1,468,148	1,349,630	1,470,413	1,213,939	1,000,148	742,770	982,339	1,667,710
<b>Total Primary Government Net Revenue / (Expense)</b>	<b>(4,162,480)</b>	<b>(4,597,255)</b>	<b>(4,518,188)</b>	<b>(4,992,936)</b>	<b>(5,309,992)</b>	<b>(4,834,226)</b>	<b>(5,364,913)</b>	<b>(6,111,034)</b>	<b>(4,108,919)</b>	<b>(4,987,257)</b>

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

Schedule 2

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues</b>										
<b>Governmental Activities:</b>										
Taxes	\$ 2,996,261	\$ 3,281,033	\$ 3,372,108	\$ 3,407,960	\$ 3,390,582	\$ 3,220,022	\$ 3,800,206	\$ 3,855,942	\$ 4,111,611	\$ 4,148,111
Business Licenses	1,917,324	1,950,618	1,909,357	2,117,002	2,054,421	2,176,590	2,168,072	2,281,637	2,278,734	2,341,419
Unrestricted Grants and Contributions	179,149	189,419	177,130	230,925	485,733	200,927	237,122	137,166	148,527	123,622
Investment Earnings	231,908	119,104	92,314	41,469	26,818	9,891	6,014	4,483	4,406	10,476
Miscellaneous	-	-	-	-	-	-	-	-	20,658	203,948
Transfers	678,335	655,684	992,483	1,281,316	1,295,167	1,333,255	712,358	992,103	167,915	(212,690)
<b>Total Government Activities</b>	<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>	<u>6,731,851</u>	<u>6,614,886</u>
<b>Business-Type Activities:</b>										
Investment Earnings	196,118	64,183	31,564	11,563	8,175	3,175	1,855	1,204	1,232	2,570
Miscellaneous	-	-	-	-	-	-	-	-	-	12,245
Transfers	(678,335)	(655,684)	(992,483)	(1,281,316)	(1,295,167)	(1,333,255)	(712,358)	(992,103)	(167,915)	212,690
<b>Total Business-Type Activities</b>	<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>	<u>(166,683)</u>	<u>227,505</u>
<b>Total Primary Government</b>	<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>	<u>6,565,168</u>	<u>6,842,391</u>
<b>Change in Net Position</b>										
Prior Period Adjustment	-	-	-	-	-	(118,616)	-	(6,118,692)	-	-
Governmental Activities	1,094,747	507,629	557,056	736,106	472,316	892,520	558,711	417,527	1,640,593	(40,081)
Business-Type Activities	263,533	331,535	507,229	79,877	183,421	(116,141)	289,645	(248,129)	815,656	1,895,215
<b>Total Primary Government</b>	<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>(5,949,294)</u>	<u>2,456,249</u>	<u>1,855,134</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GENERAL FUND</b>										
Unassigned	\$ 3,818,588	\$ 3,758,090	\$ 3,346,386	\$ 3,218,771	\$ 2,943,430	\$ 2,780,033	\$ 4,178,285	\$ 4,489,293	\$ 3,970,301	\$ 4,024,340
Nonspendable	-	-	-	-	-	-	-	3,558	-	-
Total General Fund	<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>	<u>3,970,301</u>	<u>4,024,340</u>
<b>GRANT FUND</b>										
Restricted	-	-	-	8,432	-	-	-	-	-	-
Total Economic Development Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CAPITAL PROJECTS FUND</b>										
Assigned	-	-	-	-	1,071,305	2,537,397	609,930	328,759	151,711	103,369
Restricted	-	-	-	-	-	12,902	8,972	10,264	3,581	3,581
Total Capital Projects Fund	<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>	<u>155,292</u>	<u>106,950</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Assigned	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	96,100	125,605
Committed	-	-	-	574,689	672,780	326,630	424,681	504,696	682,229	899,138
Total All Other Governmental Funds	<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>	<u>778,329</u>	<u>1,024,743</u>
<b>TOTAL GOVERNMENTAL FUND BALANCE</b>	<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>	<u>\$ 4,903,922</u>	<u>\$ 5,156,033</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 3,030,233	\$ 3,339,362	\$ 3,393,356	\$ 3,377,424	\$ 3,353,481	\$ 3,229,469	\$ 3,798,439	\$ 3,827,612	\$ 4,104,954	\$ 6,507,115
Fines, Fees, and Licenses	2,204,815	2,283,243	2,028,600	2,402,428	2,267,301	2,368,574	2,347,669	2,926,598	2,952,748	228,855
Intergovernmental	168,257	160,530	134,627	112,117	98,705	116,462	117,132	118,159	118,159	123,622
Solid Waste Disposal Charges	331,460	411,722	389,379	423,067	420,498	447,965	436,660	-	-	-
Miscellaneous	1,131,972	201,507	545,607	711,091	1,329,012	1,074,476	1,211,443	274,561	2,288,910	1,230,460
Total Revenues	6,866,737	6,396,364	6,491,569	7,026,127	7,468,997	7,236,946	7,911,343	7,146,930	9,464,771	8,090,052
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/Council/Attorney/Judge	257,994	256,744	264,334	241,767	273,453	318,823	285,505	204,330	213,872	197,444
City Manager/City Clerk	194,745	188,369	193,593	194,123	196,101	195,632	277,729	222,423	226,345	249,319
Finance	363,427	382,297	398,053	408,211	413,144	424,484	412,476	374,667	403,630	324,552
Public Works	1,310,624	1,294,674	1,143,648	1,100,502	1,472,363	1,424,284	1,254,186	892,741	832,632	888,600
Planning/Code Enforcement	140,544	215,954	288,193	239,008	266,383	240,273	248,934	259,711	261,735	167,610
Judicial	318,073	349,320	165,602	173,292	170,977	164,265	160,529	162,048	176,790	197,665
Police	-	-	-	-	-	-	-	2,313,395	2,340,922	2,369,771
Fire	-	-	-	-	-	-	-	875,389	1,130,272	1,188,079
Public Safety	2,686,193	2,669,446	2,800,562	3,096,021	3,152,902	3,064,326	2,873,095	-	-	-
Sanitation	607,179	405,344	720,422	405,982	437,888	391,442	334,599	395,657	400,243	-
Parks	206,119	354,600	301,156	389,264	554,953	360,900	343,666	372,497	409,639	436,332
Tourism	-	194,839	336,880	366,275	405,774	383,915	406,779	463,022	434,783	431,692
Housing Project	695	1,088	17,313	9,618	5,065	511	403	15,404	62	59
Great Swamp	318,736	60,077	145,765	10,732	7,811	1,878	3,425	-	-	-
Non-Departmental Support	491,634	604,486	255,182	43,160	16,497	10,806	426,366	78,050	-	-
Reserve Accounts	25,271	28,639	148,049	318,366	357,299	283,912	330,136	298,563	-	-
Administrative	-	-	-	-	-	-	-	-	272,486	268,405
<b>Debt Service</b>										
Principal	-	-	-	278,210	347,608	368,034	403,547	500,744	516,797	490,356
Interest	-	-	-	132,758	124,666	117,856	107,464	101,223	91,310	75,061
Capital Outlay	-	-	-	898,587	958,082	2,272,865	1,499,567	695,380	2,453,607	1,019,351
Total Expenditures	6,921,234	7,005,877	7,178,752	8,305,876	9,160,966	10,024,206	9,368,406	8,225,244	10,165,125	8,304,296
Excess (deficiency) of revenues over (under) expenditures	(54,497)	(609,513)	(687,183)	(1,279,749)	(1,691,969)	(2,787,260)	(1,457,063)	(1,078,314)	(700,354)	(214,244)
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	-	-	-	-	1,351,883	-	312,000	204,965	-	372,760
Transfers In	1,768,618	1,313,283	1,751,615	2,160,893	2,173,157	2,234,245	3,923,259	1,256,500	1,049,000	810,079
Transfers Out	(1,558,316)	(785,633)	(1,057,168)	(879,577)	(877,990)	(900,990)	(3,210,901)	(264,397)	(881,085)	(716,484)
Total Other Financing Sources (Uses)	210,302	527,650	694,447	1,281,316	2,647,050	1,333,255	1,024,358	1,197,068	167,915	466,355
Net Change in Fund Balances	155,805	(81,863)	7,264	1,567	955,081	(1,454,005)	(432,705)	118,754	(532,439)	252,111
Fund Balances, Beginning	5,156,033	5,311,838	5,229,975	6,462,669	6,249,236	7,204,317	5,750,312	5,317,607	5,436,361	4,903,922
Prior Period Adjustment(s)				(215,000)	-	-	-	-	-	-
<b>Fund Balances, Ending</b>	<b>\$ 5,311,838</b>	<b>\$ 5,229,975</b>	<b>\$ 5,237,239</b>	<b>\$ 6,249,236</b>	<b>\$ 7,204,317</b>	<b>\$ 5,750,312</b>	<b>\$ 5,317,607</b>	<b>\$ 5,436,361</b>	<b>\$ 4,903,922</b>	<b>\$ 5,156,033</b>
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	5.5%	5.8%	6.3%	6.5%	8.0%	7.9%	7.8%

Source: City Audit Reports

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

**Schedule 5**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>ASSESSED VALUE</b>			<b>MARKET VALUE</b>			<b>TOTAL DIRECT TAX RATE</b>
	<b>REAL PROPERTY</b>	<b>PERSONAL PROPERTY</b>	<b>TOTAL</b>	<b>REAL PROPERTY</b>	<b>PERSONAL PROPERTY</b>	<b>TOTAL</b>	
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
2016	20,021,620	5,883,870	25,905,490	446,377,474	69,725,050	516,102,524	88.00
2017	23,952,370	6,083,520	30,035,890	497,357,662	70,651,672	568,009,334	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				
	CITY	COUNTY	COUNTY	SCHOOL	SCHOOL
	OPERATIONS	OPERATIONS	DEBT SERVICE	OPERATIONS	DEBT SERVICE
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
2016	88.00	108.45	7.41	104.31	46.50
2017	88.00	114.81	10.24	110.42	49.50

**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	2017			2008		
	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.	\$ 1,359,560	1	7.09 %	N/A		N/A %
WALTERBORO COMMUNITY HOSPITAL	987,310	2	5.15	N/A		N/A
WAL-MART REAL ESTATE BUSINESS TRUST	765,000	3	3.99	N/A		N/A
WALTERBORO SAV/ LLC	391,800	4	2.04	N/A		N/A
PECK SLIP ASSOCIATES GROUP LLCC	339,120	5	1.77	N/A		N/A
FOREST POINTE APTS LLC	326,250	6	1.70	N/A		N/A
RI 1778 NE CORNELL FW LLC	292,800	7	1.53	N/A		N/A
USPG PORTFOLIO TWO LLC	234,000	8	1.22	N/A		N/A
MD - WALTERBORO	228,840	9	1.19	N/A		N/A
HOSPITAL DEVELOPMENT PROPERTIES, INC	216,000	10	1.13	N/A		N/A
Total	<u>\$ 5,140,680</u>		<u>26.80 %</u>	<u>\$ -</u>		<u>- %</u>

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

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

**Schedule 8**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY			COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE		
		AMOUNT	PERCENTAGE			AMOUNT	PERCENTAGE	
			OF LEVY				OF LEVY	
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	1,616,584	1,532,524	94.8		67,539	1,600,063	99.0	
2016	1,657,630	1,565,945	94.5		88,220	1,654,165	99.8	
2017	1,621,017	1,556,711	96.0		58,126	1,614,837	99.6	

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	LEASES PAYABLE			
2008	\$ 1,399,868	\$ 1,558,487	\$ 167,163	\$ 788,305	\$ -	\$ -	\$ 3,913,823	N/A	\$ 677
2009	1,315,273	1,464,973	126,076	729,944	-	-	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
2016	609,025	681,789	292,880	1,299,360	3,412,821	-	6,295,875	19.70	1,192.85
2017	489,571	548,063	446,896	1,135,737	4,568,975	104,539	7,293,781	22.02	1,378.01

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**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>PERCENTAGE OF ACTUAL TAXABLE VALUE</b>	<b>PER CAPITA</b>
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
2016	1,299,360	5.0%	246
2017	1,135,737	3.8%	215

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2017**

**Schedule 11**

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
<b>Debt repaid with property taxes</b>			
Colleton County	\$ 38,794,615	20.00%	\$ 7,758,923
Fire and Rescue	6,987,876	20.00%	1,397,575
Colleton County School District	83,370,979	20.00%	16,674,196
Subtotal overlapping debt	<u>129,153,470</u>		<u>25,830,694</u>
<b>City direct debt</b>	<u>2,724,806</u>	100.00%	<u>2,724,806</u>
Total direct and overlapping debt	<u><u>\$ 131,878,276</u></u>		<u><u>\$ 28,555,500</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 2017**

Assessed Value	\$ 30,035,890
Debt limit (8% of assessed value)	2,402,871
Debt applicable to limit:	
General Obligation Bonds	
Total net debt applicable to limit	<u>(1,135,737)</u>
Legal Debt Margin	<u>\$ 1,267,134</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>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 1,025,962	\$ 3,740,711	\$ 2,088,699	\$ 2,034,134	\$ 2,046,756	\$ 2,029,365	\$ 1,974,998	\$ 2,079,033	\$ 2,072,439	\$ 2,402,871
Total net debt applicable to limit	<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>	<u>(1,299,360)</u>	<u>(1,135,737)</u>
Legal debt margin	<u>\$ 237,657</u>	<u>\$ 3,010,767</u>	<u>\$ 1,419,468</u>	<u>\$ 1,428,064</u>	<u>\$ 188,756</u>	<u>\$ 292,067</u>	<u>\$ 361,751</u>	<u>\$ 620,546</u>	<u>\$ 773,079</u>	<u>\$ 1,267,134</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>62.7%</u>	<u>47.3%</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 JUNE 30,	REVENUE BONDS					
	GROSS REVENUE	OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		
				PRINCIPAL	INTEREST	COVERAGE
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
2016	3,680,572	1,989,553	1,691,019	338,948	79,762	8.8
2017	4,129,065	2,715,206	1,413,859	364,498	74,024	9.4

Source: City Audit Report

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

**Schedule 14**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>POPULATION</b>	<b>PERSONAL INCOME (thousands of dollars)</b>	<b>PER CAPITA PERSONAL INCOME</b>	<b>MEDIAN AGE</b>	<b>SCHOOL ENROLLMENT*</b>	<b>UNEMPLOYMENT RATE</b>	
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	
2016	5,278	31,966	18,436	41.3	1,410	6.50	
2017	5,293	33,120	19,839	44.1	864	6.50	

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	2017				2008			
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT		EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	
Colleton County School Board	917	1	N/A	%	N/A	N/A	N/A	%
Colleton County	464	2	N/A		N/A	N/A	N/A	
Colleton Medical Center	424	3	N/A		N/A	N/A	N/A	
Walmart	355	4	N/A		N/A	N/A	N/A	
Veterans Victory House	304	5	N/A		N/A	N/A	N/A	
BiLo	166	6	N/A		N/A	N/A	N/A	
City of Walterboro	119	7	N/A		N/A	N/A	N/A	
Cracker Barrel	100	8	N/A		N/A	N/A	N/A	
Pioneer Boats	94	9	N/A		N/A	N/A	N/A	
Carolina Visuals	84	10	N/A		N/A	N/A	N/A	
Total	3,027		-	%	-		-	%

Source: City Finance 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**

<b>FUNCTION/PROGRAM</b>	<b>FISCAL YEAR</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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	3
Finance	5	4	4	4	5	5	4	4	4	3
Public Works	16	16	16	16	15.5	15.5	15.5	11.5	11.5	12
Planning/Code Enforcement	2	4	4	4	4	4	3	4	4	3
Police	-	-	-	-	-	-	-	36	36	36
Judicial	3	3.5	3.5	3.5	2.5	3.5	3.5	3.5	3.5	4
Fire	-	-	-	-	-	-	-	11.5	14.5	15
Public Safety	43	45	46	46	46	46	46	-	-	-
Sanitation	5	5	5	5	5	5	5	5	5	5
Parks	4	6	6	8	8	8	7	7	7	7
Tourism	1.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Economic Development	-	1	1	1	1	1	-	-	-	-
Water	8	7	7	7	7	7	7.5	8.5	9.5	9.5
Utility Support	2	2	2	2	2	2	2	2	2	4
Sewer	5	5.5	5.5	5.5	5.5	5.5	5.5	8.5	4	4
Sewer Support	-	-	-	-	-	-	-	-	5	5
<b>Total</b>	<b>105.0</b>	<b>112.5</b>	<b>113.5</b>	<b>115.5</b>	<b>115.0</b>	<b>116.0</b>	<b>112.5</b>	<b>115.0</b>	<b>119.5</b>	<b>121.5</b>

**\*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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business Licenses</b>										
NUMBERS ISSUED	892	888	885	816	880	844	733	905	1,017	1,016
Sales Reported for Licenses*	\$ 521,746	\$ 534,373	\$ 545,401	\$ 542,750	\$ 547,523	\$ 571,142	\$ 541,735	\$ 582,913	\$ 609,080	\$ 621,592
<b>Commercial Building Permits Issued</b>										
NUMBERS ISSUED	48	54	63	59	63	63	78	77	56	67
Sales Reported for Permits Issued*	\$ 11,571	\$ 13,773	\$ 12,952	\$ 24,183	\$ 11,309	\$ 15,319	\$ 32,701	\$ 30,140	\$ 46,562	\$ 36,636
<b>Residential Building Permits Issued</b>										
NUMBERS ISSUED	100	106	110	91	93	104	135	136	136	102
Sales Reported for Permits Issued*	\$ 3,212	\$ 11,975	\$ 10,954	\$ 9,063	\$ 8,311	\$ 9,805	\$ 11,395	\$ 9,749	\$ 18,523	\$ 12,343

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**

<b><u>FUNCTION/PROGRAM</u></b>	<b><u>FISCAL YEAR</u></b>									
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<b>EMERGENCY SERVICES:</b>										
NUMBER OF FIRE STATIONS	2	3	3	3	3	3	3	3	3	3
NUMBER OF FIRE TRUCKS	2	3	3	3	3	4	4	4	4	5
NUMBER OF POLICE STATIONS	2	3	3	3	3	3	3	3	1	1
NUMBER OF POLICE VEHICLES	39	38	40	44	44	44	44	44	38	36
<b>PUBLIC WORKS</b>										
NUMBER OF GARBAGE TRUCKS	5	5	5	5	5	5	5	6	6	6
<b>WATER/SEWER</b>										
MILES OF PIPE IN GROUND										
WATER	286	290	291	291	291	291	291	291	291	291
SEWER	77	77	78	78	78	78	78	78	78	78

N/A Information is not available

Source: City capital asset records.

# COMPLIANCE SECTION

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-Through to Sub-Recipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant	14.228			
<i>Passed through the South Carolina Department of Commerce</i>				
S. Jefferies Streetscape		4-W-13-005	\$ -	\$ 2,000
North Lemacks Street Village Renaissance Phase III Plan		4-V-14-002	-	100,285
Hampton Street Area Water Upgrade		4-CI-14-020	-	6,405
<i>Passed through the Colleton County Ready-to-Go Program</i>				
Booster Pump Station		4-A-15-001	-	518,609
<b>Total Community Development Block Grant</b>	14.228		-	627,299
<b>U.S. Department of Commerce</b>				
<i>Passed through the Economic Development Administration</i>				
Wastewater Treatment Plant	11.300	04-01-07114	-	459,317
<b>U.S. Department of Justice</b>				
<i>Passed through the South Carolina Department of Public Safety</i>				
Victims Service Vehicle and Equipment	16.575	1V14139	-	20,314
<b>U.S. Department of the Interior</b>				
<i>Passed through the South Carolina National Heritage Corridor</i>				
National Heritage Area Federal Financial Assistance	15.939		-	8,413
<b>U. S. Department of Homeland Security</b>				
Firefighters Grant-Self Contained Breathing Apparatus Units	97.044	EMW-2015-FO-07318	-	91,446
<i>Passed through the South Carolina Emergency Management</i>				
Disaster Prevention and Relief	97.036	FEMA-4286-DR-SC	-	217,031
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,423,820

See accompanying notes to schedule of federal expenditures.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The City of Walterboro (the City) under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walterboro, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Walterboro, South Carolina's basic financial statements, and have issued our report thereon dated October 23, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Walterboro, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2017-001

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

A handwritten signature in black ink that reads "Baird Audit Group, LLC". The script is cursive and fluid.

The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, Georgia  
October 23, 2017



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Walterboro, South Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Walterboro, South Carolina's major federal programs for the year ended June 30, 2017. City of Walterboro, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Walterboro, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Walterboro, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, City of Walterboro, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Baird Audit Group, LLC". The script is cursive and fluid.

THE BAIRD AUDIT GROUP, LLC  
Certified Public Accountants

Augusta, Georgia  
October 23, 2017

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**I. Summary of Auditors' Results**

- A. The auditors' report expresses an unmodified opinion on the financial statements of the City of Walterboro, South Carolina.
- B. Our audit of the financial statements disclosed one significant deficiencies and no material weaknesses in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the City of Walterboro, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No significant deficiencies or material weaknesses in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs of the City of Walterboro, South Carolina expresses an unmodified opinion on all major federal programs.
- F. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 2 CFR section 200.516(a).
- G. Major federal program for the City of Walterboro, South Carolina for the fiscal year ended June 30, 2017 are:

<b><u>Program Name</u></b>	<b><u>CFDA#</u></b>
Wastewater Treatment Plant	11.300
Adjutant General Office – Hurricane Matthew	97.036
Firefighters Grant – Self Contained Breathing Apparatus Units	97.044

- H. The threshold for determining Type A programs for the City of Walterboro, South Carolina is \$750,000.
- I. The City of Walterboro, South Carolina did not qualify as a low risk auditee.

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

Finding 2017-001 – SIGNIFICANT DEFICIENCY  
MILEAGE REIMBURSEMENTS

Criteria - All employee mileage reimbursement should be recalculated by finance depot.

Condition – Employee mileage reimbursement was not calculated correctly.

Cause - A clerical error was made when calculating employee mileage reimbursement.

Effect - The employee was not properly reimbursed for mileage driven.

Recommendation – To improve internal control and operating efficiency, management should adopt policies and procedure to accurately calculate and reimburse employees for cost while on City business.

*City of Walterboro, South Carolina's Response:*

*In addition to the mileage reimbursement policy in the personnel administrative guidelines, a copy of an online web mapping service should be attached to each travel reimbursement.*

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

There were no findings noted for the year ended June 30, 2017, which are required to be reported in accordance with 2 CFR section 200.516(a).

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

There were no findings noted for the year ended June 30, 2016 which are required to be reported in accordance with *Government Auditing Standards*.