



# **CITY OF WALTERBORO SOUTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

### **MAYOR**

WILLIAM T. YOUNG, JR

### **CITY COUNCIL**

JAMES BRODERICK	CARL BROWN
GREG PRYOR	JUDY BRIDGE
ROBERT BONDS	PAUL SIEGEL

### **CITY MANAGER**

JEFF MOLINARI

### **FINANCE DIRECTOR**

AMY RISHER

PREPARED BY:  
FINANCE DEPARTMENT

# City of Walterboro, South Carolina

## Comprehensive Annual Financial Report

### For the Fiscal Year Ended June 30, 2018

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Comprehensive Annual Financial Report  
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# INTRODUCTORY SECTION



November 14, 2018

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, 2018.

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 The Baird Audit Group, 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, 2018, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, 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, 2018, 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 Walterboro 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 63 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 \$27,175. Walterboro's existing retail marketplace is approximately \$357 million (as extrapolated from business license returns). Many big box retailers and more than a dozen large hotels continue their operations in Walterboro's vibrant local economy. In 2018, we saw the location and construction of a new KFC, Coastal Kids Dentistry, Papa John's Pizza, an Urgent Care Facility named Zip Clinic, as well as a Starbucks Coffee. All of these projects are on Bells Highway near Exit 57. There are even more proposed commercial developments in the preconstruction phase. Economic development efforts continue to created substantial commercial redevelopment throughout the City as well. Colleton Medical Center completed more major improvements and plan more in the upcoming year. Downtown has seen new businesses and building renovation undertaken and this is expected to continue into next year as momentum continues to build. Overall, the local economy is strong and growing.

### **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 increases for fiscal year 2017-2018. The City of Walterboro continues its efforts to provide quality water and wastewater treatment services to its customers.

## Relevant Accounting Policies

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

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

## Major Initiatives

The City of Walterboro 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 Walterboro.

The City has also undertaken one revitalization project and upgraded 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) \$67,519 for the I-95 Business Loop Streetscape project
- 2) \$191,790 for revitalization of the North Lemacks Street neighborhood Phase III
- 3) \$3,414,053 for the Wastewater Treatment Plant Upgrade

In addition, the City began construction on the Walterboro Wildlife Sanctuary Discovery Center project. The center will have live animal exhibits, static displays, classroom space and meeting space that will create a comprehensive experience for nature-based tourists, students and citizens alike as they can learn about the important role that ecosystems like the Walterboro Wildlife Sanctuary play in the Lowcountry of South Carolina. The amphitheater will provide a downtown venue for musical performances, plays and live animal exhibitions. Total project cost is estimated to be \$2,130,000.



## **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 six 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,

A handwritten signature in blue ink, appearing to read 'J. Molinari'.

Jeffrey P. Molinari  
City Manager

A handwritten signature in blue ink, appearing to read 'Amy J. Risher'.

Amy J. Risher  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Walterboro  
South Carolina**

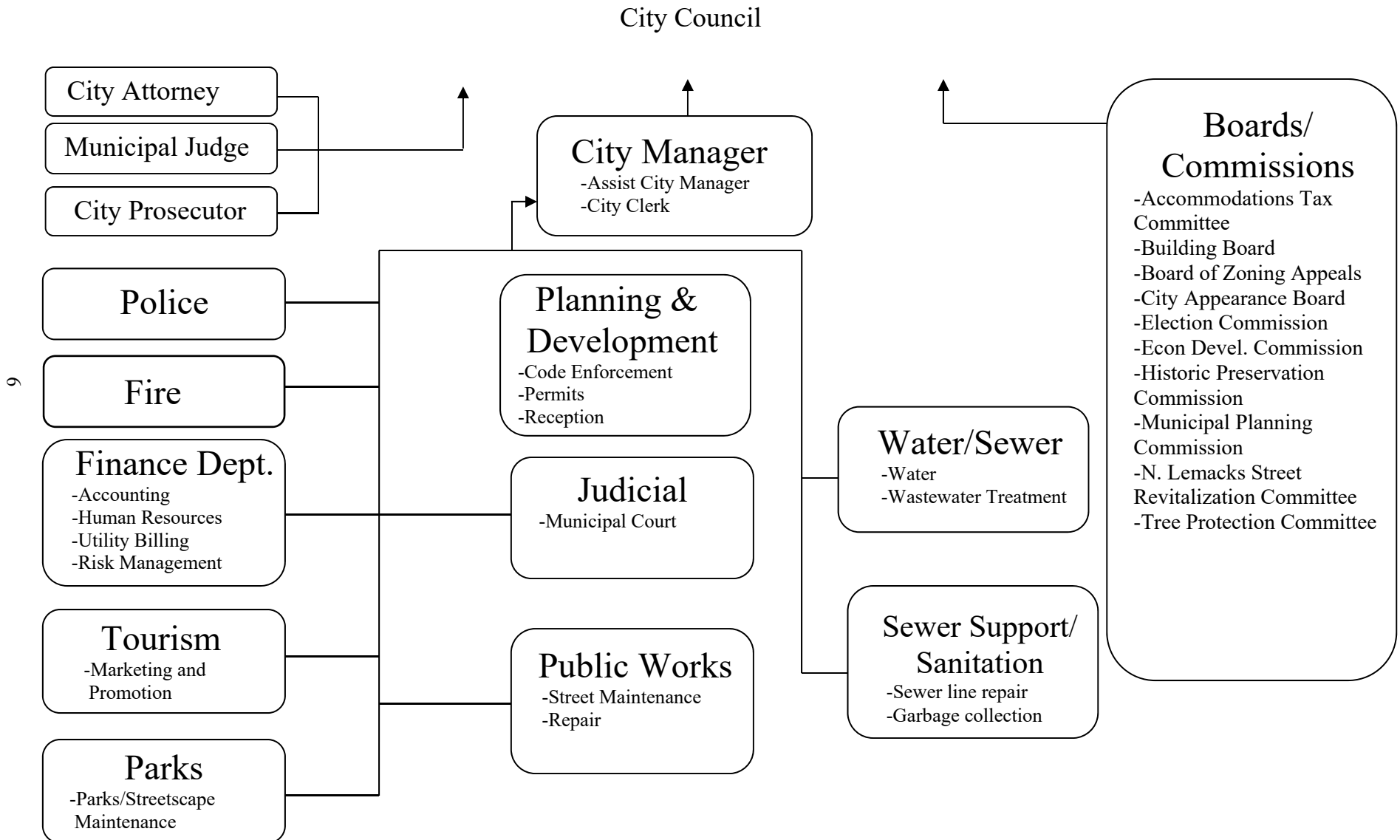
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO  
SOUTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2018**

<b>TITLE</b>	<b>NAME</b>
Mayor.....	William T. Young, Jr.
Council Member.....	James Broderick
Council Member.....	Carl Brown
Council Member.....	Greg Pryor
Council Member.....	Judy Bridge
Council Member.....	Robert Bonds
Council Member.....	Paul Siegel
City Manager.....	Jeff Molinari
Assistant City Manager .....	Hank Amundson
Finance Director.....	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.....	Christan Spires
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, 2018, 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, 2018, 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 November 14, 2018, 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  
November 14, 2018

## **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, 2018. 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 \$27,337,950 (net position). Of this amount, \$3,452,444 (restricted net position) was restricted for specific purposes, \$30,504,322 represented the net investment in capital assets, and the remaining deficit of \$(6,618,816) was unrestricted. The City's total net position increased by \$1,146,911 for the year ended June 30, 2018.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$7,093,196, an increase of \$1,937,160.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,890,104 or 53% 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 \$22,801,963, an increase of \$1,389,413.

#### **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, planning and development, 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 31-62 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 63-68.

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 69-85 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 \$27,337,950 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	
	2018	2017	2018	2017	2018	2017
Cash and Other Assets	\$ 7,641,935	\$ 5,989,690	\$ 2,397,785	\$ 4,050,304	\$ 10,039,720	\$ 10,039,994
Capital Assets	11,296,748	11,230,482	25,300,717	22,731,763	36,597,465	33,962,245
Total Assets	18,938,683	17,220,172	27,698,502	26,782,067	46,637,185	44,002,239
Deferred Outflows of Resources	2,091,715	2,114,379	-	-	2,091,715	2,114,379
Long-term Liabilities Outstanding	15,095,761	11,563,031	3,891,340	4,741,393	18,987,101	16,304,424
Other Liabilities	1,088,346	745,640	1,005,199	628,124	2,093,545	1,373,764
Total Liabilities	16,184,107	12,308,671	4,896,539	5,369,517	21,080,646	17,678,188
Deferred Inflows of Resources	310,304	45,537	-	-	310,304	45,537
Net Position						
Net Investment in Capital Assets	9,473,261	9,099,786	21,031,061	18,058,249	30,504,322	27,158,035
Restricted	3,136,260	1,028,324	316,184	1,784,545	3,452,444	2,812,869
Unrestricted	(8,073,534)	(3,147,767)	1,454,718	1,569,756	(6,618,816)	(1,578,011)
Total Net Position	\$ 4,535,987	\$ 6,980,343	\$ 22,801,963	\$ 21,412,550	\$ 27,337,950	\$ 28,392,893

By far the largest portion of the City's net position \$30,504,322 (112%) 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 \$3,452,444 (13%) represents restricted resources and are not available to fund other commitments. The largest portion \$3,136,260 of the restricted net position represents \$1,960,996 restricted for capital projects, \$1,023,605 committed for tourism related expenses, and \$151,659 restricted to housing, public safety, and project expenses of the City in the governmental activities.

The balance of unrestricted net position represents a deficit of \$(6,618,816) (-25%) due to the recognition of the net pension liability and other post-employment benefits as a long-term obligation.

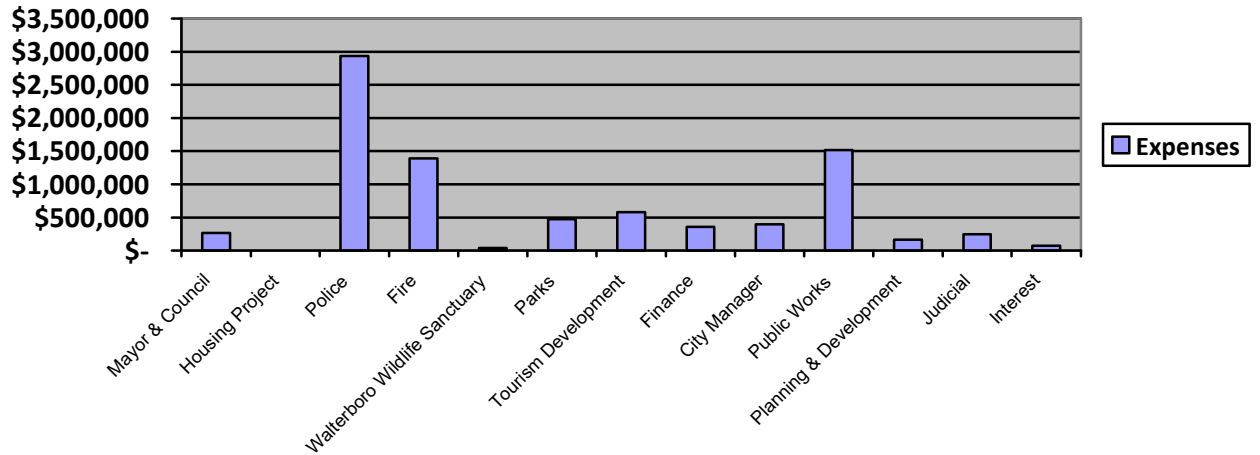
The City's total net position increased by \$1,146,911 for the year ended June 30, 2018 summarized below:

CITY OF WALTERBORO, SOUTH CAROLINA CHANGES IN NET POSITION						
	Governmental Activities		Business -Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$ 152,696	\$ 228,855	\$ 4,023,893	\$ 4,129,065	\$ 4,176,589	\$ 4,357,920
Operating Grants and Contributions	61,821	191,564	-	-	61,821	191,564
Capital Grants and Contributions	225,424	824,472	1,580,683	1,225,276	1,806,107	2,049,748
General Revenues						
Taxes	4,331,154	4,148,111	-	-	4,331,154	4,148,111
Business Licenses	2,441,825	2,341,419	-	-	2,441,825	2,341,419
Grants and contributions not restricted to specific programs	181,036	123,622	-	-	181,036	123,622
Investment earnings	22,506	10,476	5,470	2,570	27,976	13,046
Miscellaneous	183,197	203,948	2,250	12,245	185,447	216,193
Total revenues	7,599,659	8,072,467	5,612,296	5,369,156	13,211,955	13,441,623
Expenses						
Mayor and Council	262,495	205,110	-	-	262,495	205,110
Housing Project	66	59	-	-	66	59
Police	2,939,744	2,784,237	-	-	2,939,744	2,784,237
Fire	1,389,024	1,332,419	-	-	1,389,024	1,332,419
Walterboro Wildlife Sanctuary	39,000	-	-	-	39,000	-
Parks	474,504	611,094	-	-	474,504	611,094
Tourism Development	581,688	440,156	-	-	581,688	440,156
Finance	359,865	352,254	-	-	359,865	352,254
City Manager	400,555	275,356	-	-	400,555	275,356
Public Works	1,512,264	1,178,124	-	-	1,512,264	1,178,124
Planning and Development	162,593	176,955	-	-	162,593	176,955
Judicial	247,355	210,250	-	-	247,355	210,250
Administration	-	257,844	-	-	-	257,844
Interest Expense	73,008	75,996	-	-	73,008	75,996
Water	-	-	1,292,462	1,405,744	1,292,462	1,405,744
Sewer	-	-	1,175,706	1,146,176	1,175,706	1,146,176
Sewer Support	-	-	302,905	296,326	302,905	296,326
Utility Support	-	-	311,432	308,279	311,432	308,279
Sanitation	-	-	540,378	530,106	540,378	530,106
Total expenses	8,442,161	7,899,854	3,622,883	3,686,631	12,065,044	11,586,485
Change in net position before transfers	(842,502)	172,613	1,989,413	1,682,525	1,146,911	1,855,138
Transfers	600,000	(212,690)	(600,000)	212,690	-	-
Change in net position	(242,502)	(40,077)	1,389,413	1,895,215	1,146,911	1,855,138
Net position – beginning	6,980,347	7,020,424	21,412,550	19,517,335	28,392,897	26,537,759
Prior period adjustment	(2,201,858)	-	-	-	(2,201,858)	-
Net position – ending	\$ 4,535,987	\$ 6,980,347	\$ 22,801,963	\$ 21,412,550	\$ 27,337,950	\$ 28,392,897

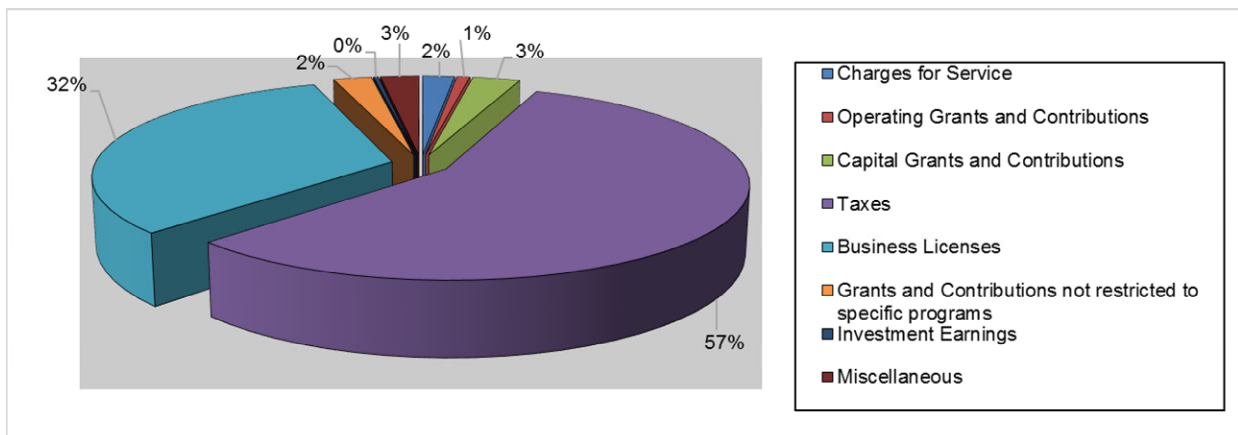
**Governmental activities.** Governmental activities decreased the City's net position by \$242,502 for the fiscal year ended June 30, 2018. Key elements of this decrease are as follows:

- Capital grants and contributions for governmental activities decreased approximately \$600,000 due to project phase completion on I95 Loop and the wastewater treatment upgrade.
- Depreciation expenses of \$895,523 were recognized in each functional department with capital outlay of \$961,790 reported on the statement of net position.
- Payment of principal of \$575,340 was reported on the statement of net position.
- The net pension liability increased expenses by \$501,668 and the other post employments benefits increased by \$155,344.

### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities



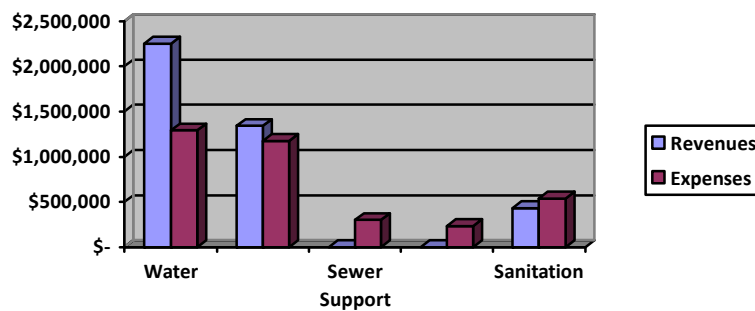


**Business-type activities.** Business-type activities increased the City's net position by \$1,389,413. Key elements of this increase are as follows:

- Overall revenues are up approximately \$243,000 because of an increase in capital contributions of \$355,000 for the wastewater treatment plant and a decrease in charges for services of \$106,000 related to the shutdown of local industries.
- Capital grants of \$1,580,000 account for a significant portion of the increase in net position of \$1,389,413.
- Overall expenses stayed relatively the same as the prior year with a decrease of \$64,000 that offset the costs of providing the charges for services.

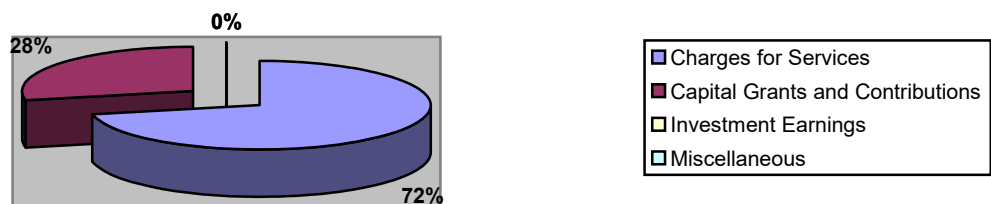
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#### Expenses and Program Revenues – Business-type Activities



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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 \$7,093,196, an increase of \$1,937,160.

The fund balance of the City's general fund decreased by \$134,236 during the current fiscal year. Overall revenues were \$302,723 more than budgeted. The City's overall expenditures were over budget by \$81,704 which includes the cost of a grapple truck of \$144,952 that was paid with issuance of debt. The City budgeted for a loss of \$207,000 but overall managed to end the year with a loss of \$134,000 with an approximate favorable budget variance of \$72,000.

The fund balance of the City's capital projects fund increased by \$1,920,877 during the current fiscal year for expenditures related to ongoing projects for the Discovery Center.

## Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets as of June 30, 2018 amounts to \$36,597,465 (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 to the wastewater treatment plant for \$3,414,053 and purchase of a vehicle for \$26,432 were capitalized.
- In public works, continued progress on the N. Lemacks project for \$191,790, \$67,519 for the I-95 Loop project and \$144,952 for a grapple truck were capitalized.
- In the finance department, building improvements to the Service Center for \$104,788 was capitalized.
- In the fire department, fire equipment for \$45,333 was capitalized.
- In the parks department, maintenance equipment for \$80,753 was capitalized.
- In the police department, vehicles and a utility vehicle for \$102,265 were capitalized.
- In the tourism department, Discovery Center renovations and parking lot for \$190,831 was capitalized.

	CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS					
	Governmental Activities		Business -Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Land Improvements	\$ 1,362,882	\$ 1,257,063	\$ 44,773	\$ 44,773	\$ 1,407,655	\$ 1,301,836
Construction in progress	612,804	268,482	4,495,094	1,081,041	5,107,898	1,349,523
Buildings and Improvements	2,940,140	2,941,257	41,131	57,170	2,981,271	2,998,427
Machinery and Equipment	493,676	559,582	43,728	35,321	537,404	594,903
Vehicles	1,183,432	1,149,972	398,720	507,835	1,582,152	1,657,807
Infrastructure	4,703,814	5,054,126	20,277,271	21,005,623	24,981,085	26,059,749
Total	<u>\$ 11,296,748</u>	<u>\$ 11,230,482</u>	<u>\$ 25,300,717</u>	<u>\$ 22,731,763</u>	<u>\$ 36,597,465</u>	<u>\$ 33,962,245</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 \$20,064,490. The City reports 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. In fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the reporting of a long-term obligation of \$2,427,105 related to its postemployment benefits. New debt consisted of \$2,000,000 in a revenue bond in capital projects and \$144,952 in a capital lease for a grapple truck. 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 967,483	\$ 1,135,737	\$ -	\$ -	\$ 967,483	\$ 1,135,737
Revenue Bonds	2,776,559	1,037,634	4,206,429	4,568,975	6,982,988	5,606,609
Capital Lease	445,837	446,896	63,227	104,539	509,064	551,435
Annual Leave	198,587	178,836	71,003	67,879	269,590	246,715
OPEB	2,427,105	-	-	-	2,427,105	-
Net Pension Liability	8,908,260	8,763,928	-	-	8,908,260	8,763,928
Total	<u>\$ 15,723,831</u>	<u>\$ 11,563,031</u>	<u>\$ 4,340,659</u>	<u>\$ 4,741,393</u>	<u>\$ 20,064,490</u>	<u>\$ 16,304,424</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 \$2,513,175 of which \$967,483 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 11.3% while local hospitality had an increase of 4.0%.
- Property taxes increased by 1.0% primarily due to reassessment.
- 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 2019 budget at 86.4 mills. Budgeted general fund expenditures for 2019 are projected to be \$7,075,820. This represents a decrease of \$154,391 compared to budgeted expenditures in 2018. Also, the City has budgeted \$4,126,900 in expenses for the proprietary fund in 2019. This represents an increase of \$12,800 compared to budgeted expenditures in 2018.

**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, 300 Hampton Street, Walterboro, South Carolina, 29488.



# BASIC FINANCIAL STATEMENTS

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tourism Commission	Development Corporation
<b>ASSETS</b>					
Cash	\$ 6,283,047	\$ 703,941	\$ 6,986,988	\$ 33,469	\$ 37,679
Receivables	1,358,888	1,254,487	2,613,375	50,119	-
Inventories	-	123,173	123,173	-	-
Restricted Cash	-	316,184	316,184	-	-
Capital Assets, being depreciated	9,321,062	20,760,850	30,081,912	-	-
Capital Assets, not being depreciated	1,975,686	4,539,867	6,515,553	-	-
Total Assets	18,938,683	27,698,502	46,637,185	83,588	37,679
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows Related to Pension	2,009,880	-	2,009,880	-	-
Deferred Outflows Related to OPEB	81,835	-	81,835	-	-
Total Deferred Outflows of Resources	2,091,715	-	2,091,715	-	-
Total Assets and Deferred Outflows of Resources	\$ 21,030,398	\$ 27,698,502	\$ 48,728,900	\$ 83,588	\$ 37,679
<b>LIABILITIES</b>					
Accounts Payable	\$ 356,426	\$ 249,092	\$ 605,518	\$ -	\$ 2,148
Salaries and Benefits Payable	88,259	21,304	109,563	-	-
Interest Payable	15,591	6,815	22,406	-	-
Customer Deposits	-	278,669	278,669	-	-
Noncurrent Liabilities:					
Due within one year	628,070	449,319	1,077,389	-	-
Due in more than one year:					
Debt	3,561,809	3,820,337	7,382,146	-	-
Annual Leave	198,587	71,003	269,590	-	-
Net Pension Liability	8,908,260	-	8,908,260	-	-
Other Post Employment Benefits	2,427,105	-	2,427,105	-	-
Total Liabilities	16,184,107	4,896,539	21,080,646	-	2,148
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Pension	298,372	-	298,372	-	-
Deferred Inflows Related to OPEB	11,932	-	11,932	-	-
Total Deferred Inflows of Resources	310,304	-	310,304	-	-
<b>NET POSITION</b>					
Unrestricted	(8,073,534)	1,454,718	(6,618,816)	-	35,531
Restricted:					
Capital Projects	1,960,996	-	1,960,996	-	-
Tourism	1,023,605	-	1,023,605	83,588	-
Other (see note 11)	151,659	316,184	467,843	-	-
Net Investment in Capital Assets	9,473,261	21,031,061	30,504,322	-	-
Total Net Position	4,535,987	22,801,963	27,337,950	83,588	35,531
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,030,398	\$ 27,698,502	\$ 48,728,900	\$ 83,588	\$ 37,679

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, 2018**

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	\$ 262,495	\$ -	\$ -	\$ -	\$ (262,495)	\$ -	\$ (262,495)	\$ -	\$ -
Housing Project	66	-	-	-	(66)	-	(66)	-	-
Police	2,939,744	89,484	33,824	-	(2,816,436)	-	(2,816,436)	-	-
Fire	1,389,024	-	27,997	-	(1,361,027)	-	(1,361,027)	-	-
Walterboro Wildlife Sanctuary	39,000	-	-	-	(39,000)	-	(39,000)	-	-
Parks	474,504	-	-	39,981	(434,523)	-	(434,523)	-	-
Tourism Development	581,688	-	-	-	(581,688)	-	(581,688)	-	-
Finance	359,865	-	-	-	(359,865)	-	(359,865)	-	-
City Manager	400,555	-	-	-	(400,555)	-	(400,555)	-	-
Public Works	1,512,264	-	-	185,443	(1,326,821)	-	(1,326,821)	-	-
Planning and Development	162,593	61,596	-	-	(100,997)	-	(100,997)	-	-
Judicial	247,355	1,616	-	-	(245,739)	-	(245,739)	-	-
Interest on long-term debt	73,008	-	-	-	(73,008)	-	(73,008)	-	-
Total Governmental Activities	8,442,161	152,696	61,821	225,424	(8,002,220)	-	(8,002,220)	-	-
Business-type Activities									
Water	1,292,462	2,250,004	-	1,580,683	-	2,538,225	2,538,225	-	-
Sewer	1,175,706	1,340,906	-	-	-	165,200	165,200	-	-
Sewer Support	302,905	-	-	-	-	(302,905)	(302,905)	-	-
Utility Support	235,577	-	-	-	-	(235,577)	(235,577)	-	-
Sanitation	540,378	432,983	-	-	-	(107,395)	(107,395)	-	-
Interest	75,855	-	-	-	-	(75,855)	(75,855)	-	-
Total Business-type Activities	3,622,883	4,023,893	-	1,580,683	-	1,981,693	1,981,693	-	-
Total Primary Government	\$ 12,065,044	\$ 4,176,589	\$ 61,821	\$ 1,806,107	(8,002,220)	1,981,693	(6,020,527)	-	-

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, 2018**

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	\$ 181,801	\$ -	\$ 217,154	\$ -				35,353	-
Development Corporation	60,873	-	17,935	-				-	(42,938)
Total Component Units	<u>\$ 242,674</u>	<u>\$ -</u>	<u>\$ 235,089</u>	<u>\$ -</u>				<u>35,353</u>	<u>(42,938)</u>
General Revenues									
Property Taxes					1,738,074	-	1,738,074	-	-
Local Option Sales Taxes					1,468,536	-	1,468,536	-	-
Hospitality and Accommodations Taxes					1,124,544	-	1,124,544	-	-
Business Licenses					2,441,825	-	2,441,825	-	-
Grants and Contributions not restricted to specific programs					181,036	-	181,036	-	-
Investment Earnings					22,506	5,470	27,976	-	-
Miscellaneous					183,197	2,250	185,447	-	-
Transfers					600,000	(600,000)	-	-	-
Total General Revenues and Transfers					<u>7,759,718</u>	<u>(592,280)</u>	<u>7,167,438</u>	<u>-</u>	<u>-</u>
Change in Net Position					(242,502)	1,389,413	1,146,911	35,353	(42,938)
Net Position, Beginning					6,980,347	21,412,550	28,392,897	48,235	78,469
Prior Period Restatement					(2,201,858)	-	(2,201,858)	-	-
Net Position, Ending					<u>\$ 4,535,987</u>	<u>\$ 22,801,963</u>	<u>\$ 27,337,950</u>	<u>\$ 83,588</u>	<u>\$ 35,531</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 3,179,440	\$ 2,066,828	\$ 1,036,779	\$ 6,283,047
Receivables	973,406	204,000	181,482	1,358,888
Total Assets	<u>\$ 4,152,846</u>	<u>\$ 2,270,828</u>	<u>\$ 1,218,261</u>	<u>\$ 7,641,935</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 70,429	\$ 243,000	\$ 42,997	\$ 356,426
Salaries and Benefits Payable	88,259	-	-	88,259
Total Liabilities	<u>158,688</u>	<u>243,000</u>	<u>42,997</u>	<u>444,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues-property taxes	104,054	-	-	104,054
Total Deferred Inflows of Resources	<u>104,054</u>	<u>-</u>	<u>-</u>	<u>104,054</u>
<b>FUND BALANCES</b>				
Unassigned	3,890,104	-	-	3,890,104
Assigned	-	2,027,828	-	2,027,828
Restricted	-	-	151,659	151,659
Committed	-	-	1,023,605	1,023,605
Total Fund Balances	<u>3,890,104</u>	<u>2,027,828</u>	<u>1,175,264</u>	<u>7,093,196</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,152,846</u>	<u>\$ 2,270,828</u>	<u>\$ 1,218,261</u>	<u>\$ 7,641,935</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, 2018**

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

Total fund balances for governmental funds	\$	7,093,196
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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	\$	1,362,882	
Construction in Progress		612,804	
Buildings and Improvements, net of \$1,655,625 accumulated depreciation		2,940,140	
Machinery and Equipment, net of \$1,820,753 accumulated depreciation		493,676	
Vehicles, net of \$2,253,037 accumulated depreciation		1,183,432	
Infrastructure, net of \$870,042 accumulated depreciation		<u>4,703,814</u>	
Total Capital Assets			11,296,748

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

Deferred outflows of resources:			
Related to pensions and other post employment benefits		2,091,715	
Deferred inflows of resources:			
Related to pensions and other post employment benefits		(310,304)	
Related to receivables		<u>104,054</u>	
Total deferred outflows and inflows of resources			1,885,465

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		(15,591)	
Bonds Payable		(3,744,042)	
Capital Leases		(445,837)	
Net Pension Liability		(8,908,260)	
OPEB Liability		(2,427,105)	
Accrued Compensated Absences		<u>(198,587)</u>	
Total Long-Term Liabilities			<u>(15,739,422)</u>

Total net position of governmental activities	\$	<u><u>4,535,987</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 5,683,745	\$ -	\$ 1,084,459	\$ 6,768,204
Fines, Fees and Licenses	152,696	-	-	152,696
Intergovernmental	121,924	-	-	121,924
Miscellaneous	214,562	166,899	170,599	552,060
Total Revenues	<u>6,172,927</u>	<u>166,899</u>	<u>1,255,058</u>	<u>7,594,884</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Mayor and Council	244,547	-	-	244,547
Housing Project	-	-	66	66
Police	2,424,285	-	16,253	2,440,538
Fire	1,183,708	-	23,438	1,207,146
Parks	406,793	-	-	406,793
Tourism Development	151,078	-	424,940	576,018
Finance	323,197	-	-	323,197
City Manager	352,913	-	-	352,913
Public Works	929,776	4	-	929,780
Planning and Development	152,367	-	-	152,367
Judicial	230,322	-	-	230,322
Walterboro Wildlife Sanctuary	-	39,000	-	39,000
<b>Capital Outlay</b>				
Finance	104,788	-	-	104,788
Police	94,964	-	7,300	102,264
Fire	78,891	-	-	78,891
Parks	80,753	-	85,012	165,765
Public Works	191,273	207,018	5,971	404,262
<b>Debt Service</b>				
Principal	314,265	-	261,075	575,340
Interest	44,995	-	23,684	68,679
Total Expenditures	<u>7,308,915</u>	<u>246,022</u>	<u>847,739</u>	<u>8,402,676</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	144,952	2,000,000	-	2,144,952
Transfers In	859,800	-	3,000	862,800
Transfers Out	(3,000)	-	(259,800)	(262,800)
Total Other Financing Sources (Uses)	<u>1,001,752</u>	<u>2,000,000</u>	<u>(256,800)</u>	<u>2,744,952</u>
Net Change in Fund Balances	(134,236)	1,920,877	150,519	1,937,160
Fund Balances, Beginning	4,024,340	106,951	1,024,745	5,156,036
Fund Balances, Ending	<u>\$ 3,890,104</u>	<u>\$ 2,027,828</u>	<u>\$ 1,175,264</u>	<u>\$ 7,093,196</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, 2018**

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	\$	1,937,160
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$961,790) exceeded depreciation (\$895,523) in the current period.		66,267
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Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.		(2,144,952)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		575,340
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Governmental funds report employee benefits as expenditures. However in the statement of activities, the cost of employee benefits earned net of employee contributions is reported as an expense.

Pension contributions	\$ (1,073,074)		
Cost of benefits earned net of employee contributions	571,406		(501,668)
Other Post Employee Benefits	(209,784)		
Cost of other post employment benefits	54,440		(155,344)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,775
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(19,751)		
Accrued interest	(4,329)		
Net change in expenses			(24,080)

Total change in net position of governmental activities	\$	(242,502)
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**CITY OF WALTERBORO, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 703,941
Receivables	1,254,487
Inventories	123,173
Total Current Assets	<u>2,081,601</u>
Noncurrent Assets	
Restricted Cash	316,184
Capital Assets - not being depreciated	4,539,867
Capital Assets - being depreciated	20,760,850
Total Noncurrent Assets	<u>25,616,901</u>
Total Assets	<u><u>\$ 27,698,502</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 249,092
Salaries and Benefits Payable	21,304
Interest Payable	6,815
Current Portion of Long-term Liabilities	449,319
Customer Deposits	278,669
Total Current Liabilities	<u>1,005,199</u>
Noncurrent Liabilities	
Revenue Bonds Payable	3,825,337
Compensated Absences	66,003
Total Noncurrent Liabilities	<u>3,891,340</u>
Total Liabilities	<u>4,896,539</u>
<b>NET POSITION</b>	
Unrestricted	1,454,718
Restricted for Debt Escrow	316,184
Net Investment in Capital Assets	21,031,061
Total Net Position	<u>22,801,963</u>
Total Liabilities and Net Position	<u><u>\$ 27,698,502</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, 2018**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Sales	\$ 2,250,004
Sewer Charges	1,340,906
Sanitation Charges	432,983
Total Operating Revenues	<u>4,023,893</u>
<b>OPERATING EXPENSES</b>	
Costs of Sales and Services	
Water	899,594
Sewer	767,568
Sewer Support	302,905
Utility Support	231,102
Sanitation	451,045
Depreciation	890,339
Total Operating Expenses	<u>3,542,553</u>
Operating Income	<u>481,340</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Sale of Surplus Equipment	2,250
Investment Income	5,470
Interest Expense	(75,855)
Bank Charges	(4,475)
Total Nonoperating Revenues (Expenses)	<u>(72,610)</u>
Income Before Contributions and Transfers	408,730
Grant Revenue	1,580,683
Transfers Out	<u>(600,000)</u>
Change in Net Position	1,389,413
Net Position, Beginning	21,412,550
Net Position, Ending	<u><u>\$ 22,801,963</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, 2018**

	Business-type Activities Enterprise Funds Water, Sewer & Sanitation
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 3,962,612
Cash paid for operating goods and services	(1,789,760)
Cash paid to employees	(909,919)
Net Cash Provided (Used) by Operating Activities	<u>1,262,933</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers between other funds	(600,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(600,000)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on capital debt	(403,858)
Grant and Developer Contributions	1,580,683
Interest paid on capital debt	(78,804)
Sale of surplus equipment	2,250
Acquisition and construction of capital assets	(3,459,294)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,359,023)</u>
<b>Cash Flows From Investing Activities</b>	
Interest received on investments	995
Net Cash Provided (Used) by Investing Activities	<u>995</u>
 NET INCREASE (DECREASE) IN CASH	 (1,695,095)
CASH AT BEGINNING OF YEAR	2,715,220
CASH AT END OF YEAR	<u><u>\$ 1,020,125</u></u>
 <b>Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income	\$ 481,340
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	890,339
(Increase) decrease in accounts receivable	(63,624)
(Increase) decrease in inventories	21,048
Increase (decrease) in accounts payable	(70,420)
Increase (decrease) in salaries and benefits payable	(1,217)
Increase (decrease) in annual leave	3,124
Increase (decrease) in customer deposits	2,343
Total adjustments	<u>781,593</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,262,933</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, 2018**

	<b>Post Retirement Fund</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash	\$ 1,727,346	\$ 18,669
Total Assets	<u>\$ 1,727,346</u>	<u>\$ 18,669</u>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Liabilities		
Due to Others	\$ -	\$ 18,669
Total Liabilities	<u>-</u>	<u>\$ 18,669</u>
	<hr/>	<hr/>
Net Position		
Held in trust for employee health benefits	1,727,346	
Total Net Position	<u>\$ 1,727,346</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, 2018**

	<b>Post Retirement Fund</b>
<b>Additions</b>	
Employer Contributions	\$ 223,533
Investment Income (Loss)	(13,548)
Total Additions	<u>209,985</u>
<b>Deductions</b>	
Contractual Expenses	<u>67,860</u>
Total Deductions	<u>67,860</u>
Change in Net Position	142,125
Net Position, Beginning of Year	<u>1,585,221</u>
Net Position, End of Year	<u><u>\$ 1,727,346</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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 and Improvements	5 to 50
Vehicles	5 to 20
Machinery and Equipment	5 to 30
Infrastructure	5 to 50

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 other post employment benefits and 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 other post employment benefits and 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, 2018**

**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 2018 is 86.4 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, 2018**

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

Proprietary Fund Operating and Non-operating Revenues and Expenses

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

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

Budgets are prepared at the fund, function and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the City Manager delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. There was a supplemental appropriation approved by City Council for the renovation of a building in the amount of \$75,000 for the City Service Center 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, 2018**

**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, 2018, the bank balances were \$7,859,939. 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, 2018.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2018, 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	Total all Funds
Taxes	\$ 1,311,454	\$ -	\$ 180,354	\$ -	\$ 1,491,808	\$ -	\$ 1,491,808
Fines and Fees	1,134	-	1,128	-	2,262	-	2,262
Intergovernmental	5,881	-	-	-	5,881	-	5,881
Accounts	-	-	-	745,900	745,900	-	745,900
Other	1,029	204,000	-	620,782	825,811	50,119	875,930
Gross receivables	1,319,498	204,000	181,482	1,366,682	3,071,662	50,119	3,121,781
Allowance for uncollectible accounts	(346,092)	-	-	(112,195)	(458,287)	-	(458,287)
Net total receivables	<u>\$ 973,406</u>	<u>\$ 204,000</u>	<u>\$ 181,482</u>	<u>\$ 1,254,487</u>	<u>\$ 2,613,375</u>	<u>\$ 50,119</u>	<u>\$ 2,663,494</u>

The net amount of delinquent taxes receivable at June 30, 2018 is \$107,534 of which \$104,054 is not expected to be collected within 60 days.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018 was as follows:

<b>Governmental Activities</b>	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,257,063	\$ 105,819	\$ -	\$ 1,362,882
Construction in progress	268,482	344,322	-	612,804
Total capital assets, not being depreciated	<u>1,525,545</u>	<u>450,141</u>	<u>-</u>	<u>1,975,686</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,490,978	104,788	-	4,595,766
Machinery and equipment	2,256,144	138,939	80,655	2,314,428
Vehicles	3,244,931	267,922	76,385	3,436,468
Infrastructure	5,573,857	-	-	5,573,857
Total capital assets being depreciated	<u>15,565,910</u>	<u>511,649</u>	<u>157,040</u>	<u>15,920,519</u>
Less accumulated depreciation for:				
Buildings and improvements	1,549,721	105,904	-	1,655,625
Machinery and equipment	1,696,562	204,846	80,655	1,820,753
Vehicles	2,094,959	234,463	76,385	2,253,037
Infrastructure	519,732	350,310	-	870,042
Total accumulated depreciation	<u>5,860,974</u>	<u>895,523</u>	<u>157,040</u>	<u>6,599,457</u>
Total capital assets being depreciated, net	<u>9,704,936</u>	<u>(383,874)</u>	<u>-</u>	<u>9,321,062</u>
Governmental activity capital assets, net	<u>\$ 11,230,481</u>	<u>\$ 66,267</u>	<u>\$ -</u>	<u>\$ 11,296,748</u>

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

<b>Governmental Activities</b>	
City Manager	\$ 8,001
Finance	16,018
Fire	69,736
Mayor and Council	498
Parks, Recreation and Tourism	153,217
Police	247,745
Public Works	400,308
Total depreciation expense - governmental activities	<u>\$ 895,523</u>



**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

<b>Business-Type</b>	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Construction in progress	1,081,041	3,414,053	-	4,495,094
Total capital assets, not being depreciated	<u>1,125,814</u>	<u>3,414,053</u>	<u>-</u>	<u>4,539,867</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	17,087,880	-	-	17,087,880
Sewer system and improvements	16,310,865	-	-	16,310,865
Buildings and improvements	275,821	-	-	275,821
Machinery and equipment	883,225	18,808	-	902,033
Vehicles	1,590,274	26,432	17,050	1,599,656
Total capital assets being depreciated	<u>36,148,065</u>	<u>45,240</u>	<u>17,050</u>	<u>36,176,255</u>
Less accumulated depreciation for:				
Water system and improvements	5,610,159	368,651	-	5,978,810
Sewer system and improvements	6,782,963	359,701	-	7,142,664
Buildings and improvements	218,651	16,039	-	234,690
Machinery and equipment	847,904	10,401	-	858,305
Vehicles	1,082,439	135,547	17,050	1,200,936
Total accumulated depreciation	<u>14,542,116</u>	<u>890,339</u>	<u>17,050</u>	<u>15,415,405</u>
Total capital assets being depreciated, net	<u>21,605,949</u>	<u>(845,099)</u>	<u>-</u>	<u>20,760,850</u>
Business-type activity capital assets, net	<u>\$ 22,731,763</u>	<u>\$ 2,568,954</u>	<u>\$ -</u>	<u>\$ 25,300,717</u>

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

<b>Business-Type Activities</b>	
Water	\$ 392,868
Sewer	408,138
Sanitation	89,333
Total depreciation expense - business-type activities	<u>\$ 890,339</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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>Total</b>
General Fund	\$ -	\$ 3,000	\$ 3,000
Water and Sewer Fund	600,000	-	600,000
Other Governmental Funds	259,800	-	259,800
Total transfers out	<u>\$ 859,800</u>	<u>\$ 3,000</u>	<u>\$ 862,800</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, 2018:

<b>Governmental Activities</b>	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>	<b>Due Within A Year</b>
Bonds Payable:					
General obligation	\$ 1,135,737	\$ -	\$ 168,254	\$ 967,483	\$ 173,121
Tax increment financing debt	548,063	-	137,896	410,167	140,969
Revenue bond	489,571	2,000,000	123,179	2,366,392	188,416
Total bonds	2,173,371	2,000,000	429,329	3,744,042	502,506
Capital lease	446,896	144,952	146,011	445,837	100,564
Net Pension Liability	8,763,928	676,454	532,122	8,908,260	-
OPEB	2,460,441	151,127	184,463	2,427,105	-
Compensated absences	178,836	177,174	157,423	198,587	25,000
Total	<u>\$ 11,563,031</u>	<u>\$ 3,149,707</u>	<u>\$ 1,449,348</u>	<u>\$ 15,723,831</u>	<u>\$ 628,070</u>
<b>Business-Type Activities</b>	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>	<b>Due Within A Year</b>
Bonds Payable:					
Revenue bonds	\$ 4,568,975	\$ -	\$ 362,546	\$ 4,206,429	\$ 402,337
Capital lease	104,539	-	41,312	63,227	41,982
Compensated absences	67,879	58,681	55,557	71,003	5,000
Total	<u>\$ 4,741,393</u>	<u>\$ 58,681</u>	<u>\$ 459,415</u>	<u>\$ 4,340,659</u>	<u>\$ 449,319</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

Long-term debt payable at June 30, 2018 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	\$ 1,069,811	\$ 204,957
Less accumulated depreciation	(484,353)	(64,903)
Net book value	<u>\$ 585,458</u>	<u>\$ 140,054</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

	<b>Payment</b>	
<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2019	\$ 110,182	\$ 42,691
2020	110,182	21,346
2021	110,182	-
2022	110,182	-
2023	31,634	-
Total	<u>472,362</u>	<u>64,037</u>
Less amount representing interest	(26,525)	(810)
Present value of minimum lease payments	<u>\$ 445,837</u>	<u>\$ 63,227</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>\$ 967,483</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>
2019	\$ 173,121	32,636	\$ 205,757
2020	102,155	27,727	129,882
2021	105,720	24,162	129,882
2022	109,410	20,472	129,882
2023	113,228	16,654	129,882
2024-2026	363,849	25,694	389,543
Total	<u>\$ 967,483</u>	<u>\$ 147,345</u>	<u>\$ 1,114,828</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Revenue Bonds**

	<b>Balance</b>
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%.	<u><u>\$ 410,167</u></u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 140,969	\$ 9,437	\$ 150,406
2020	144,735	5,670	150,405
2021	124,463	1,083	125,546
Total	<u><u>\$ 410,167</u></u>	<u><u>\$ 16,190</u></u>	<u><u>\$ 426,357</u></u>

	<b>Balance</b>
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%.	<u><u>\$ 366,392</u></u>

The City has issued a revenue bond to complete construction of the Discovery Center. Local hospitality and Accomodation tax revenues are pledged for the payment. The original amount of the bond was \$2,000,000, payable in yearly installments of \$121,748 including interest at 3.203% for the first three years and \$293,748 yearly installments for the remaining seven years.	<u><u>2,000,000</u></u>
	<u><u>\$ 2,366,392</u></u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 188,416	\$ 67,686	\$ 256,102
2020	188,979	67,123	256,102
2021	173,314	61,756	235,070
2022	235,575	58,173	293,748
2023	243,120	50,628	293,748
2024-2028	1,336,988	131,220	1,468,208
Total	<u><u>\$ 2,366,392</u></u>	<u><u>\$ 436,586</u></u>	<u><u>\$ 2,802,978</u></u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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:

	<b>Balance</b>
\$1,940,000 Sewer Line Rehabilitation Bond Series 2011B, due in quarterly payments of \$53,499 at 2.98% interest through April 2022.	\$ 774,274
\$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% interest through December 2030.	1,983,045
\$1,480,000 Wastewater Treatment Plant Upgrade Bond payable in quarterly installments of \$22,071 at 1.8% interest through December 2037.	1,449,110
	<u><u>\$ 4,206,429</u></u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 402,337	\$ 81,776	\$ 484,113
2020	411,786	72,327	484,113
2021	421,521	62,592	484,113
2022	395,841	52,608	448,449
2023	223,863	46,259	270,122
2024-2028	1,182,678	167,932	1,350,610
2029-2033	787,619	62,932	850,551
2034-2038	380,784	16,487	397,271
Total	<u><u>\$ 4,206,429</u></u>	<u><u>\$ 562,913</u></u>	<u><u>\$ 4,769,342</u></u>

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

**Compensated Absences**

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. Upon proper resignation or termination for non-disciplinary reasons an employee shall be paid at their regular straight time rate for unused leave earnings up to a maximum of 144 hours plus one-half of current year unused accrual. The City has no financial liability for unused sick leave. Compensated absences are paid from the general fund and water and sewer fund. The liability for compensated absences at June 30, 2018 amounted to \$198,587 and \$71,003, respectively, for the governmental activities and business-type activities and includes 20% 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, 2018**

**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, 2018, the City contributed \$0 to the plan and is paid from the general fund. Administrative costs of the OPEB Trusts are paid from the plan assets.

The following table summarizes the membership of the Plan as of January 1, 2017, the valuation date:

<b>Membership</b>	
	Number
Inactive Employees or Beneficiaries Currently Receiving Benefits	11
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	41
<b>Total Membership</b>	<b>52</b>

As of December 31, 2017, the Measurement Date is presented in the table below:

<b>Measurement Date of December 31, 2017</b>	
Total OPEB Liability (TOL)	\$ 4,220,064
Fiduciary Net Position (FNP)	1,792,959
Net OPEB Liability (NOL)	<u>\$ 2,427,105</u>
 Ratio of FNP to TOL	 42.49%

**Actuarial Methods and Assumptions**

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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Actuarial Methods and Assumptions (Continued)**

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.

The TOL was determined by an actuarial valuation as of January 1, 2017, using the following key actuarial assumptions and other inputs:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00% - 7.00%
PORS	3.50% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.75%
Measurement Date	4.75%
Health Care Cost Rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020

The discount rate used to measure the TOL was based upon the long-term expected rate of return.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Actuarial Methods and Assumptions (Continued)**

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2017 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2017 valuation were based on a review of recent plan experience done concurrently with the January 1, 2017 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>
Fixed Income	94.3%
Equity Funds	0.0%
Cash and Cash Equivalents	5.7%
Total	100.0%

*Discount Rate (SEIR).* The discount rate used to measure the TOL as of the Measurement Date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.



**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Actuarial Methods and Assumptions (Continued)**

Based on these assumptions, the Plan's FNP was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

The following exhibit presents the NOL of the Plan, calculated using current health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1- percentage-point higher than the current rates.

<b>System</b>	<b>Health Care Cost Trend Rate Sensitivity</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 1,702,899	\$ 2,427,105	\$ 3,366,853

The following exhibits present the NOL of the Plan, calculated using the discount rate of 4.75%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate:

<b>System</b>	<b>Discount Rate Sensitivity</b>		
	<b>1% Decrease (3.75%)</b>	<b>Current Discount Rate (4.75%)</b>	<b>1% Increase (5.75%)</b>
Net OPEB Liability	\$ 3,238,523	\$ 2,427,105	\$ 1,786,431

The TOL is based upon an actuarial valuation performed as of the Valuation Date, January 1, 2017. Because this is the first year under GASB 74, an expected TOL as of December 31, 2016 is determined using standard roll back techniques. An expected TOL is determined as of December 31, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of January 1, 2017, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). The procedure used to determine the TOL, as of December 31, 2017, is shown in the following table:

<b>Description</b>	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
<b>Balance at 12/31/16</b>	\$ 4,015,500	\$ 1,555,059	\$ 2,460,441
<b>Changes for the year:</b>			
Service cost at the end of the year	79,023	-	79,023
Interest on the TOL and Cash Flows	189,559	-	189,559
Change in benefit terms	-	-	-
Difference between expected and actual experience	(13,863)	-	(13,863)
Contributions - employer	-	258,583	(258,583)
Net investment income	-	44,169	(44,169)
Benefit payments and implicit subsidy credit	(50,155)	(50,155)	-
Plan administrative expenses	-	(14,697)	14,697
Other	-	-	-
Net changes	204,564	237,900	(33,336)
<b>Balance at 12/31/17</b>	<u>\$ 4,220,064</u>	<u>\$ 1,792,959</u>	<u>\$ 2,427,105</u>

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

The City does not have a special funding situation.

Since the Prior Measurement Date, the Discount Rate has not changed.

There are no changes in benefit terms since the Measurement Date.

No benefit payments are attributable to the purchase of allocated insurance contracts.

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five year period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2017:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ (11,932)
Contributions subsequent to measurement date	54,440	-
Net difference between projected and actual earnings on plan investments	27,395	-
Total	<u>\$ 81,835</u>	<u>\$ (11,932)</u>

Amounts reported as Deferred Outflow of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

<b>Measurement Period Ended December 31:</b>	<b>Amount</b>
2018	\$ 15,806
2019	\$ 15,806
2020	\$ 15,806
2021	\$ 15,805
2022	\$ 8,957
Thereafter	\$ (2,277)

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**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. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

**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 through 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).

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Membership**

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

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

**Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. 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, 2018**

**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. The PEBA board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total 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; this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Contributions (Continued)**

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

	<u>Fiscal Year 2018<sup>1</sup></u>	<u>Fiscal Year 2017<sup>1</sup></u>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<b>PORS</b>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

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

	<u>Fiscal Year 2018<sup>1</sup></u>	<u>Fiscal Year 2017<sup>1</sup></u>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Accidental Death Program	0.20%	0.20%
Employer Incidental Death Benefit	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 of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Actuarial Assumptions and Methods (Continued)**

The June 30, 2017 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administrative Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30 2017.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<u><b>SCRS</b></u>	<u><b>PORS</b></u>
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return <sup>1</sup>	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

<sup>1</sup> includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

<u><b>Former Job Class</b></u>	<u><b>Males</b></u>	<u><b>Females</b></u>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Net Pension Liability**

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented as follows:

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>
<b>SCRS</b>	\$ 10,775,878	\$ 5,747,685	\$ 5,028,193	53.3%
<b>PORS</b>	9,933,481	6,053,414	3,880,067	60.9%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' 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 plans' funding requirements.

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. 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 adopted at the beginning of the 2017 fiscal year. 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 on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes 5.00 percent real rate of return and a 2.25 percent inflation component.



**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Net Pension Liability (Continued)**

<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>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credits</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

**Discount Rate**

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the 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 TPL.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Net Pension Liability (Continued)**

**Sensitivity Analysis**

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 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 (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
SCRS	\$ 6,480,650	\$ 5,028,193	\$ 4,146,893
PORS	5,238,792	3,880,067	2,809,769

**Pension Expense**

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2017, are presented below:

<b>Description</b>	<b>SCRS</b>	<b>PORS</b>
Service cost (annual cost of current service)	\$ 179,594	\$ 236,072
Interest on the total pension liability	741,120	669,993
Changes in plan benefits	-	-
Plan administrative costs	3,009	3,044
Plan member contributions	(184,617)	(181,060)
Expected return on plan assets	(393,152)	(408,651)
Recognition of current year amortization - Difference between expected and actual experience &	132,623	129,494
Recognition of current year amortization - Difference between projected and actual investment earnings	30,732	32,026
Other	346	(1,806)
<b>Total</b>	<b>\$ 509,655</b>	<b>\$ 479,112</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 NPL and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

The following schedules reflect the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2017.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	SCRS	PORS	SCRS	PORS
Difference between expected and actual experience	\$ 22,416	\$ 34,599	\$ -	\$ 2,787
Assumption changes	294,347	368,254	-	-
Net difference between projected and actual earnings	140,363	138,263	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	109,860	330,372	174,962	120,623
Contributions subsequent to the measurement date	277,226	294,180	-	-
Total	<u>\$ 844,212</u>	<u>\$ 1,165,668</u>	<u>\$ 174,962</u>	<u>\$ 123,410</u>

Difference between expected and actual experience			
	SCRS	PORS	Total
<b>Balance</b>	\$ 22,416	\$ 34,599	\$ 57,015
<b>Amortization period<sup>1</sup></b>	4.15	4.72	4.44
<b>Amortized<sup>2</sup> period ending June 30,</b>			
2018	\$ (13,381)	\$ (23,147)	\$ (36,528)
2019	(5,528)	(6,677)	(12,205)
2020	(3,287)	(3,907)	(7,194)
2021	(220)	(868)	(1,088)

Assumption Changes			
	SCRS	PORS	Total
<b>Initial Balance</b>	\$ 294,347	\$ 368,254	\$ 662,601
<b>Amortization period<sup>3</sup></b>	4.15	4.72	4.44
<b>Amortized<sup>2</sup> period ending June 30,</b>			
2018	\$ (95,785)	\$ (103,645)	\$ (199,430)
2019	(95,785)	(103,645)	(199,430)
2020	(95,785)	(103,645)	(199,430)
2021	(6,992)	(57,319)	(64,311)

Difference between projected and actual investment earnings			
	SCRS	PORS	Total
<b>Initial Balance</b>	\$ 140,363	\$ 138,263	\$ 278,626
<b>Amortization period<sup>3</sup></b>	5	5	5
<b>Amortized<sup>2</sup> period ending June 30,</b>			
2018	\$ (30,732)	\$ (32,026)	\$ (62,758)
2019	(111,783)	(110,458)	(222,241)
2020	(43,906)	(43,190)	(87,096)
2021	46,058	47,411	93,469

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

<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.

**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, 2017. 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.

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, 2017	\$ 261,074	\$ 271,938
Deduct: Employer Contributions Not Representative of Future Contribution Effort	(552)	(338)
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2017 Measurement Date	<u>\$ 260,522</u>	<u>\$ 271,600</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, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. 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.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Additional Financial and Actuarial Information (Continued)**

Payables to the Pension Plan

At June 30, 2018, the Town reported payables of \$0 that represents the amount due for the month of June.

**401(K) Plan**

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

**NOTE 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).

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

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.

**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	\$ 11,296,748	\$ 25,300,717
Long-term debt	(15,723,831)	(4,340,659)
Add: Compensated absences included above	198,587	71,003
Net Pension Liability	8,908,260	-
Debt on VA facility not owned by the City	366,392	-
Other Post Employment Benefits	2,427,105	-
Discovery Center Revenue Bond	2,000,000	-
Net Investment in Capital Assets	<u>\$ 9,473,261</u>	<u>\$ 21,031,061</u>

**NOTE 11 – FUND BALANCE AND NET POSITION CLASSIFICATIONS**

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

<b>Governmental Funds</b>	
<u>Committed</u>	
Funds committed by local ordinance for tourism related expenditures:	
Accommodations Tax	\$ 515,475
Hospitality Tax	508,130
Total Committed Fund Balance	<u>\$ 1,023,605</u>
<u>Assigned</u>	
Unspent grant funds restricted by the grant	\$ 2,027,828
	<u>\$ 2,027,828</u>
<u>Restricted</u>	
State accommodations tax restricted by the state for tourism	\$ 106,114
1% Funds restricted for firemen	17,870
Housing project funds restricted for low income housing projects	1,707
Victims witness funds restricted to expenditures to assist victims	25,968
Total Restricted Fund Balance	<u>\$ 151,659</u>
<b>Proprietary Fund</b>	
<u>Restricted</u>	
Funds restricted by bond ordinance for a debt service reserve	\$ 316,184
Total Restricted Net Position	<u>\$ 316,184</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018:

<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	53%	\$ 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 – RESTATEMENT OF BEGINNING NET POSITION**

In accordance with generally accepted accounting principles for fiscal year 2017, the City of Walterboro made prior adjustments due to the adoption of GASB Statement No. 74 and 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which require the restatement of the June 30, 2017 net position in Governmental Activities. The result in net position as of June 30, 2017 is a decrease of \$2,201,858 in Governmental Activities.

<u>Governmental Activities</u>	
Net Position June 30, 2017, as previously reported	\$ 6,980,347
OPEB Liability, Net	(2,201,858)
Net Position June 30, 2017, as restated	<u>\$ 4,778,489</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2018, the date the financial statements were issued, and determined that the following significant events has occurred:

The City received five USDA grant totaling \$211,900 for two police cars, two generators, two handicap accessible restroom upfits, an electrical lift, and city hall roof and window replacement.

## 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, 2018**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes	\$ 5,433,000	\$ 5,433,000	\$ 5,683,745	\$ 250,745
Fines, Fees and Licenses	241,500	241,500	152,696	(88,804)
Intergovernmental	116,000	116,000	121,924	5,924
Miscellaneous	79,704	79,704	214,562	134,858
Total Revenues	<u>5,870,204</u>	<u>5,870,204</u>	<u>6,172,927</u>	<u>302,723</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Mayor and Council	203,968	203,968	244,547	(40,579)
Police	2,457,988	2,457,988	2,424,285	33,703
Fire	1,226,907	1,226,907	1,183,708	43,199
Parks	475,680	475,680	406,793	68,887
Tourism Development	156,217	156,217	151,078	5,139
Finance	529,035	529,035	323,197	205,838
City Manager	341,319	341,319	352,913	(11,594)
Public Works	901,189	901,189	929,776	(28,587)
Planning and Development	116,916	116,916	152,367	(35,451)
Judicial	201,732	201,732	230,322	(28,590)
<b>Capital Outlay</b>				
Finance	25,000	100,000	104,788	(4,788)
Police	74,000	74,000	94,964	(20,964)
Fire	50,000	50,000	78,891	(28,891)
Parks	33,000	33,000	80,753	(47,753)
Public Works	-	-	191,273	(191,273)
<b>Debt Service</b>				
Principal	305,575	305,575	314,265	(8,690)
Interest	53,685	53,685	44,995	8,690
Total Expenditures	<u>7,152,211</u>	<u>7,227,211</u>	<u>7,308,915</u>	<u>(81,704)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	-	144,952	144,952
Transfers In	1,153,007	1,153,007	859,800	(293,207)
Transfers Out	(3,000)	(3,000)	(3,000)	-
Total Other Financing Sources (Uses)	<u>1,150,007</u>	<u>1,150,007</u>	<u>1,001,752</u>	<u>(148,255)</u>
Net Change in Fund Balances	(132,000)	(207,000)	(134,236)	72,764
Fund Balances, Beginning	4,024,340	4,024,340	4,024,340	-
Fund Balances, Ending	<u>\$ 3,892,340</u>	<u>\$ 3,817,340</u>	<u>\$ 3,890,104</u>	<u>\$ 72,764</u>

**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE:**

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

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

**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	0.022652%	0.022228%	0.023383%	0.022336%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3,899,923	\$ 4,215,647	\$ 4,994,574	\$ 5,028,193
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,056,504	\$ 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	189.64%	202.46%	220.52%	223.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	59.90%	57.00%	52.90%	53.30%

**POLICE OFFICER RETIREMENT SYSTEMS (PORS)**

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proportion of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	0.11851%	0.12616%	0.14861%	0.14163%
Proportionate Share of the Net Pension Liability (Asset)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,268,845	\$ 2,749,696	\$ 3,769,354	\$ 3,880,067
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,425,406	\$ 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	159.17%	175.70%	198.96%	203.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	67.50%	64.60%	60.40%	60.90%

N/A - Not Available

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

**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	\$ 226,959	\$ 250,501	\$ 260,522	\$ 312,317
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	226,959	\$ 250,501	\$ 260,522	\$ 312,317
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	\$ 2,082,192	\$ 2,264,917	\$ 2,253,646	\$ 2,303,233
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	10.90%	11.06%	11.56%	13.56%

**POLICE OFFICER RETIREMENT SYSTEMS (PORS)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	\$ 209,861	\$ 260,309	\$ 271,600	\$ 313,658
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	209,861	\$ 260,309	\$ 271,600	\$ 313,658
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	\$ 1,564,963	\$ 1,894,530	\$ 1,907,323	\$ 1,931,400
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	13.41%	13.74%	14.24%	16.24%

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

N/A - Not Available

**CITY OF WALTERBORO  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Total OPEB Liability</b>										
Service cost at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,023
Interest on the TOL and Cash Flows	-	-	-	-	-	-	-	-	-	189,559
Change in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	-	-	-	-	-	-	-	-	(13,863)
Changes of assumption or other inputs	-	-	-	-	-	-	-	-	-	-
Benefit payments*	-	-	-	-	-	-	-	-	-	(50,155)
Net change in Total OPEB Liability	-	-	-	-	-	-	-	-	-	204,564
Total OPEB Liability - beginning	-	-	-	-	-	-	-	-	-	4,015,500
Total OPEB Liability - beginning	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,220,064</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,583
Contributions - non-employer	-	-	-	-	-	-	-	-	-	-
Contributions - active member	-	-	-	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-	-	-	44,169
Benefit payments*	-	-	-	-	-	-	-	-	-	(50,155)
Administrative expense	-	-	-	-	-	-	-	-	-	(14,697)
Other	-	-	-	-	-	-	-	-	-	-
Net change in Plan Fiduciary Net Position	-	-	-	-	-	-	-	-	-	237,900
Plan Fiduciary Net Position - beginning	-	-	-	-	-	-	-	-	-	1,555,059
Plan Fiduciary Net Position - ending	-	-	-	-	-	-	-	-	-	1,792,959
Net OPEB Liability - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,427,105</u>

\*Benefit payments are net of participant contributions and include a payment of \$11,100 for the implicit subsidy. Benefit payments include \$39,055 paid outside the Trust.

\*\* Employer contribution includes \$39,055 paid outside the Trust and \$11,100 due to the implicit subsidy.

**CITY OF WALTERBORO  
SCHEDULE OF THE NET OPEB LIABILITY  
LAST TEN FISCAL YEARS**

Description	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,015,500	\$ 4,220,064
Plan Fiduciary Net Position	-	-	-	-	-	-	-	-	(1,555,059)	(1,792,959)
Net OPEB Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,460,441</u>	<u>\$ 2,427,105</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>38.73%</u>	<u>42.49%</u>
Covered Payroll*	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,512,507</u>	<u>\$ 1,512,507</u>
Net OPEB Liability as a percentage of covered payroll	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>162.7%</u>	<u>160.5%</u>

\*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

**CITY OF WALTERBORO  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

Description	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially Determined Employer Contribution (ADEC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,105
Contributions in relation to the ADEC	-	-	-	-	-	-	-	-	-	258,583
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,478)</u>
Covered Payroll*	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,512,507</u>
Actual contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>17.10%</u>

\*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

## 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, 2018**

	<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	\$ 1,707	\$ 24,840	\$ 17,948	\$ 34,681	\$ 492,192	\$ 465,411	\$ 1,036,779
Receivables	-	1,128	-	109,896	27,591	42,867	181,482
Total Assets	<u>\$ 1,707</u>	<u>\$ 25,968</u>	<u>\$ 17,948</u>	<u>\$ 144,577</u>	<u>\$ 519,783</u>	<u>\$ 508,278</u>	<u>\$ 1,218,261</u>
<b>LIABILITIES</b>							
Current Liabilities							
Accounts Payable	\$ -	\$ -	\$ 78	\$ 38,463	\$ 4,308	\$ 148	\$ 42,997
Total Liabilities	<u>-</u>	<u>-</u>	<u>78</u>	<u>38,463</u>	<u>4,308</u>	<u>148</u>	<u>42,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>FUND BALANCES</b>							
Restricted	1,707	25,968	17,870	106,114	-	-	151,659
Committed	-	-	-	-	515,475	508,130	1,023,605
Total Fund Balances	<u>1,707</u>	<u>25,968</u>	<u>17,870</u>	<u>106,114</u>	<u>515,475</u>	<u>508,130</u>	<u>1,175,264</u>
Total Liabilities, Deferred Inflows of Resources, & Fund Balances	<u>\$ 1,707</u>	<u>\$ 25,968</u>	<u>\$ 17,948</u>	<u>\$ 144,577</u>	<u>\$ 519,783</u>	<u>\$ 508,278</u>	<u>\$ 1,218,261</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, 2018**

	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	\$ -	\$ -	\$ -	\$ 326,694	\$ 281,224	\$ 476,541	\$ 1,084,459
Miscellaneous	1	33,857	27,997	50	108,216	478	170,599
Total Revenues	1	33,857	27,997	326,744	389,440	477,019	1,255,058
<b>EXPENDITURES</b>							
<b>Current</b>							
Housing Project	66	-	-	-	-	-	66
Police	-	16,253	-	-	-	-	16,253
Fire	-	-	23,438	-	-	-	23,438
Tourism Development	-	-	-	297,719	127,221	-	424,940
<b>Capital</b>							
Parks	-	-	-	-	85,012	-	85,012
Police	-	7,300	-	-	-	-	7,300
Public Works	5,971	-	-	-	-	-	5,971
<b>Debt Service</b>							
Principal	-	-	-	-	-	261,075	261,075
Interest	-	-	-	-	-	23,684	23,684
Total Expenditures	6,037	23,553	23,438	297,719	212,233	284,759	847,739
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	3,000	-	-	-	-	3,000
Transfers Out	-	(14,800)	-	-	(90,000)	(155,000)	(259,800)
Total Other Financing Sources (Uses)	-	(11,800)	-	-	(90,000)	(155,000)	(256,800)
Net Change in Fund Balances	(6,036)	(1,496)	4,559	29,025	87,207	37,260	150,519
Fund Balances, Beginning	7,743	27,464	13,311	77,089	428,268	470,870	1,024,745
Fund Balances, Ending	\$ 1,707	\$ 25,968	\$ 17,870	\$ 106,114	\$ 515,475	\$ 508,130	\$ 1,175,264

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, 2018**

	<b>Water, Sewer &amp; Sanitation</b>			<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Sales	\$ 2,314,400	\$ 2,314,400	\$ 2,250,004	\$ (64,396)
Sewer Charges	1,372,500	1,372,500	1,340,906	(31,594)
Sanitation Charges	425,000	425,000	432,983	7,983
Total Operating Revenues	<u>4,111,900</u>	<u>4,111,900</u>	<u>4,023,893</u>	<u>(88,007)</u>
<b>OPERATING EXPENSES</b>				
Costs of Sales and Services				
Water	951,533	951,533	899,594	51,939
Sewer	736,328	736,328	767,568	(31,240)
Sewer Support	420,611	420,611	302,905	117,706
Utility Support	229,717	229,717	231,102	(1,385)
Sanitation	421,923	421,923	451,045	(29,122)
Depreciation	-	-	890,339	(890,339)
Total Operating Expenses	<u>2,760,112</u>	<u>2,760,112</u>	<u>3,542,553</u>	<u>(782,441)</u>
Operating Income	<u>1,351,788</u>	<u>1,351,788</u>	<u>481,340</u>	<u>(870,448)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Sale of Surplus Equipment	-	-	2,250	2,250
Investment Income	2,200	2,200	5,470	3,270
Interest Expense	(470,981)	(470,981)	(75,855)	395,126
Bank Charges	-	-	(4,475)	(4,475)
Total Nonoperating Revenues (Expenses)	<u>(468,781)</u>	<u>(468,781)</u>	<u>(72,610)</u>	<u>396,171</u>
Income Before Contributions and Transfers	883,007	883,007	408,730	(474,277)
Grant Revenue	-	-	1,580,683	1,580,683
Transfers Out	<u>(883,007)</u>	<u>(883,007)</u>	<u>(600,000)</u>	<u>283,007</u>
Change in Net Position	-	-	1,389,413	1,389,413
Net Position, Beginning	<u>21,412,550</u>	<u>21,412,550</u>	<u>21,412,550</u>	<u>-</u>
Net Position, Ending	<u><u>\$ 21,412,550</u></u>	<u><u>\$ 21,412,550</u></u>	<u><u>\$ 22,801,963</u></u>	<u><u>\$ 1,389,413</u></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, 2018**

	<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	\$ 200,116	\$ 437,734	\$ 66,091	\$ 703,941
Receivables	1,233,470	7,975	13,042	1,254,487
Inventories	123,173	-	-	123,173
Total Current Assets	<u>1,556,759</u>	<u>445,709</u>	<u>79,133</u>	<u>2,081,601</u>
Noncurrent Assets				
Restricted Cash	316,184	-	-	316,184
Capital Assets, not being depreciated	4,539,867	-	-	4,539,867
Capital Assets, being depreciated	19,255,484	1,000,070	505,296	20,760,850
Total Noncurrent Assets	<u>24,111,535</u>	<u>1,000,070</u>	<u>505,296</u>	<u>25,616,901</u>
Total Assets	<u>\$ 25,668,294</u>	<u>\$ 1,445,779</u>	<u>\$ 584,429</u>	<u>\$ 27,698,502</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 249,092	\$ -	\$ -	\$ 249,092
Salaries and Benefits Payable	21,304	-	-	21,304
Interest Payable	6,815	-	-	6,815
Current Portion of Long-term Liabilities	449,319	-	-	449,319
Customer Deposits	278,669	-	-	278,669
Total Current Liabilities	<u>1,005,199</u>	<u>-</u>	<u>-</u>	<u>1,005,199</u>
Noncurrent Liabilities				
Revenue Bonds Payable	3,825,337	-	-	3,825,337
Compensated Absences	66,003	-	-	66,003
Total Noncurrent Liabilities	<u>3,891,340</u>	<u>-</u>	<u>-</u>	<u>3,891,340</u>
Total Liabilities	<u>4,896,539</u>	<u>-</u>	<u>-</u>	<u>4,896,539</u>
<b>NET POSITION</b>				
Unrestricted	2,434,327	445,709	79,133	2,959,169
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>20,771,755</u>	<u>1,445,779</u>	<u>584,429</u>	<u>22,801,963</u>
Total Liabilities and Net Position	<u>\$ 25,668,294</u>	<u>\$ 1,445,779</u>	<u>\$ 584,429</u>	<u>\$ 27,698,502</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS - ENTERPRISE FUNDS**  
**JUNE 30, 2018**

	Business-type Activities			
	Walterboro Water, Sewer & Sanitation	Ruffin Water	Hendersonville Water & Sewer	Total
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Sales	\$ 2,191,310	\$ 50,626	\$ 8,068	\$ 2,250,004
Sewer Charges	1,336,322	-	4,584	1,340,906
Sanitation Charges	432,983	-	-	432,983
Total Operating Revenues	<u>3,960,615</u>	<u>50,626</u>	<u>12,652</u>	<u>4,023,893</u>
<b>OPERATING EXPENSES</b>				
Costs of Sales and Services				
Water	885,447	11,318	2,829	899,594
Sewer	767,568	-	-	767,568
Sewer Support	302,905	-	-	302,905
Utility Support	227,467	2,908	727	231,102
Sanitation	451,045	-	-	451,045
Depreciation	849,168	27,125	14,046	890,339
Total Operating Expenses	<u>3,483,600</u>	<u>41,351</u>	<u>17,602</u>	<u>3,542,553</u>
Operating Income	<u>477,015</u>	<u>9,275</u>	<u>(4,950)</u>	<u>481,340</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Sale of Surplus Equipment	2,250	-	-	2,250
Investment Income	5,470	-	-	5,470
Interest Expense	(75,855)	-	-	(75,855)
Bank Charges	(4,475)	-	-	(4,475)
Total Nonoperating Revenues (Expenses)	<u>(72,610)</u>	<u>-</u>	<u>-</u>	<u>(72,610)</u>
Income Before Contributions and Transfers	404,405	9,275	(4,950)	408,730
Grant Revenue	1,537,185	43,498	-	1,580,683
Transfers Out	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>
Change in Net Position	1,341,590	52,773	(4,950)	1,389,413
Net Position, Beginning	19,430,165	1,393,006	589,379	21,412,550
Net Position, Ending	<u>\$ 20,771,755</u>	<u>\$ 1,445,779</u>	<u>\$ 584,429</u>	<u>\$ 22,801,963</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 FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**JUNE 30, 2018**

	<u>Municipal Court</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 18,669	\$ 18,669
Total Assets	<u>\$ 18,669</u>	<u>\$ 18,669</u>
<b>LIABILITIES</b>		
Due to Others	\$ 18,669	\$ 18,669
Total Liabilities	<u>\$ 18,669</u>	<u>\$ 18,669</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, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Municipal Court</b>				
Assets				
Cash	\$ 31,034	\$ 243,065	\$ 255,430	\$ 18,669
Total Assets	<u>\$ 31,034</u>	<u>\$ 243,065</u>	<u>\$ 255,430</u>	<u>\$ 18,669</u>
Liabilities				
Due to Others	\$ 31,034	\$ 243,065	\$ 255,430	\$ 18,669
Total Liabilities	<u>\$ 31,034</u>	<u>\$ 243,065</u>	<u>\$ 255,430</u>	<u>\$ 18,669</u>
<b>Total All Agency Funds</b>				
Assets				
Cash	\$ 31,034	\$ 243,065	\$ 255,430	\$ 18,669
Total Assets	<u>\$ 31,034</u>	<u>\$ 243,065</u>	<u>\$ 255,430</u>	<u>\$ 18,669</u>
Liabilities				
Due to Others	\$ 31,034	\$ 243,065	\$ 255,430	\$ 18,669
Total Liabilities	<u>\$ 31,034</u>	<u>\$ 243,065</u>	<u>\$ 255,430</u>	<u>\$ 18,669</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 Waltherboro area.
- Development Corporation              Accounts for funds received and expended for economic development in the Waltherboro area.

**CITY OF WALTERBORO, SOUTH CAROLINA  
BALANCE SHEET  
COMPONENT UNITS - WALTERBORO TOURISM COMMISSION  
JUNE 30, 2018**

	<u>General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 33,469	\$ 33,469
Receivables	50,119	50,119
Total Assets	<u>\$ 83,588</u>	<u>\$ 83,588</u>
<b>LIABILITIES</b>		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>		
Restricted	83,588	83,588
Total Fund Balances	<u>83,588</u>	<u>83,588</u>
Total Liabilities and Fund Balances	<u>\$ 83,588</u>	<u>\$ 83,588</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, 2018**

	<u>General</u>	<u>Total</u>
<b>REVENUES</b>		
Taxes	\$ 150,508	\$ 150,508
Miscellaneous	66,646	66,646
Total Revenues	<u>217,154</u>	<u>217,154</u>
<b>EXPENDITURES</b>		
<b>Current</b>		
Tourism Commission	181,801	181,801
Total Expenditures	<u>181,801</u>	<u>181,801</u>
Net Change in Fund Balances	35,353	35,353
Fund Balances, Beginning	48,235	48,235
Fund Balances, Ending	<u><u>\$ 83,588</u></u>	<u><u>\$ 83,588</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, 2018**

	<u>General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 37,679	\$ 37,679
Total Assets	<u>\$ 37,679</u>	<u>\$ 37,679</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>2,148</u>	<u>2,148</u>
Total Liabilities	<u>2,148</u>	<u>2,148</u>
 <b>FUND BALANCES</b>		
Unassigned	<u>\$ 35,531</u>	<u>\$ 35,531</u>
Total Fund Balances	<u>35,531</u>	<u>35,531</u>
 Total Liabilities and Fund Balances	<u>\$ 37,679</u>	<u>\$ 37,679</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, 2018**

	<u>General</u>	<u>Total</u>
<b>REVENUES</b>		
Miscellaneous	\$ 17,935	\$ 17,935
Total Revenues	<u>17,935</u>	<u>17,935</u>
<b>EXPENDITURES</b>		
<b>Current</b>		
Tourism	<u>60,873</u>	<u>60,873</u>
Total Expenditures	<u>60,873</u>	<u>60,873</u>
Net Change in Fund Balances	(42,938)	(42,938)
Fund Balances, Beginning	<u>78,469</u>	<u>78,469</u>
Fund Balances, Ending	<u><u>\$ 35,531</u></u>	<u><u>\$ 35,531</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**  
**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)**  
**For The Year Ended June 30, 2018**

FOR THE STATE TREASURER'S OFFICE:

<b>COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT</b>	<b><u>General Sessions</u></b>	<b><u>Magistrate Court</u></b>	<b><u>Municipal Court</u></b>	<b><u>Total</u></b>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			234,263	234,263
Court fines and assessments remitted to State Treasurer			128,582	128,582
<b>Total Court Fines and Assessments retained</b>			<b>88,940</b>	<b>88,941</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			6,456	6,456
Assessments retained			10,285	10,285
<b>Total Surcharges and Assessments retained for victim services</b>			<b>16,741</b>	<b>16,741</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<b><u>VICTIM SERVICE FUNDS COLLECTED</u></b>		<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
<b>Carryforward from Previous Year – Beginning Balance</b>		2,147		2,147
<b><u>Victim Service Revenue:</u></b>				
Victim Service Fines Retained by City/County Treasurer		-	-	-
Victim Service Assessments Retained by City/County Treasurer		10,285	-	10,285
Victim Service Surcharges Retained by City/County Treasurer		6,456	-	6,456
Interest Earned		9	-	9
Grant Funds Received		-	-	-
Grant from:		-	-	-
General Funds Transferred to Victim Service Fund		-	-	-
<b>Contribution Received from Victim Service Contracts:</b>		-	-	-
(1) Town of		-	-	-
(2) Town of		-	-	-
(3) City of		-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>		<b>18,897</b>	<b>-</b>	<b>18,897</b>

**CITY OF WALTERBORO**  
**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)**  
**For The Year Ended June 30, 2018**

<b><u>Expenditures for Victim Service Program:</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Salaries and Benefits	-	-	-
Operating Expenditures	2,899	-	2,899
<b>Victim Service Contract(s):</b>			
(1) Entity's Name	-	-	-
(2) Entity's Name	-	-	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	14,800	-	14,800
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>17,699</b>	<b>-</b>	<b>17,699</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	1,198	-	<b>1,198</b>
<b>Less:</b> Prior Year Fund Deficit Repayment	-	-	-
<b>Carryforward Funds – End of Year</b>	<b>1,198</b>	<b>-</b>	<b>1,198</b>



# 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.	87-91
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.	92-97
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.	98-100
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.	101-102
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.	103-105

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>GOVERNMENTAL ACTIVITIES</b>										
Unrestricted	\$ 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)	\$ (8,073,534)
Restricted	-	-	3,030,465	832,985	432,882	529,392	614,751	781,910	1,028,324	3,136,260
Net Investment in Capital Assets	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	9,473,261
Total Governmental Activities Net Position	<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>	<u>\$ 4,535,987</u>
<b>BUSINESS TYPE ACTIVITIES</b>										
Unrestricted	\$ 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	\$ 1,454,718
Restricted	291,459	474,821	553,776	220,855	218,746	216,919	216,921	214,926	1,784,545	316,184
Net Investment in Capital Assets	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	21,031,061
Total Business-Type Activities Net Position	<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>	<u>\$ 22,801,963</u>
<b>PRIMARY GOVERNMENT</b>										
Unrestricted	\$ 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)	\$ (6,618,816)
Restricted	291,459	474,821	3,584,241	1,053,840	651,628	746,311	831,672	996,836	2,812,869	3,452,444
Net Investment in Capital Assets	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	30,504,322
Total Business-Type Activities Net Position	<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>	<u>\$ 27,337,950</u>

Source: City Audit Reports

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

Schedule 2

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities:</b>										
Mayor/Council/Attorney/Judge	\$ 262,545	\$ 270,136	\$ 247,569	\$ 281,454	\$ 320,125	\$ 286,003	\$ 205,302	\$ 214,369	\$ 205,110	\$ 262,495
City Manager/City Clerk	195,999	201,594	202,258	200,892	205,092	286,797	234,493	237,284	275,356	400,555
Finance	383,635	398,053	410,047	418,214	419,543	417,064	376,923	417,915	352,254	359,865
Public Works	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	1,512,264
Planning and Development	219,028	267,388	245,236	256,418	247,971	259,744	266,386	261,833	176,955	162,593
Judicial	348,408	165,602	172,612	171,159	163,941	162,026	161,538	177,325	210,250	247,355
Police	-	-	-	-	-	-	2,575,561	2,584,037	2,784,237	2,939,744
Fire	-	-	-	-	-	-	926,880	1,179,975	1,332,419	1,389,024
Public Safety	2,493,117	2,796,254	3,225,479	3,299,998	3,205,778	3,094,608	-	-	-	-
Sanitation	477,512	484,031	502,085	531,910	474,108	424,459	477,421	496,128	-	-
Parks	240,347	343,969	390,775	611,235	422,118	456,795	518,695	555,763	611,094	474,504
Tourism	194,839	336,880	411,048	405,685	383,688	405,642	461,868	437,928	440,156	581,688
Economic Development	-	-	126	-	-	-	-	-	-	-
Housing Project	1,088	17,313	9,618	5,065	511	403	15,404	62	59	66
Walterboro Wildlife Sanctuary	43,191	15,156	10,732	7,811	1,878	3,425	-	-	-	39,000
Non-Department Support	204,007	99,859	43,160	16,497	10,806	426,366	78,050	-	-	-
Administration	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	158,607	143,906	132,946	127,899	115,967	104,843	99,896	92,025	76,000	73,008
<b>Total Governmental Activities Expenses</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>8,442,161</b>
<b>Business-type Activities</b>										
Water	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	1,292,462
Sewer	752,910	792,298	829,683	879,746	932,388	957,505	1,314,793	1,097,332	1,146,176	1,175,706
Economic Development	-	-	68,501	62,593	68,023	68,479	-	-	-	-
Sewer Support	-	-	-	-	-	-	-	321,292	296,326	302,905
Utility Support	-	-	-	-	-	-	220,906	197,870	308,279	235,577
Sanitation	-	-	-	-	-	-	-	-	530,106	540,378
Interest	-	-	-	-	-	-	-	-	-	75,855
<b>Total Business Activities Expenses</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>3,622,883</b>
<b>Total Primary Government Expenses</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>12,065,044</b>
<b>Revenues</b>										
<b>Governmental Activities:</b>										
Program Revenues										
Charges for Services:										
General Government	822,334	639,338	700,018	622,509	628,855	616,257	656,286	673,814	228,855	152,696
Operating Grants and Contributions	11,771	11,605	342,816	716,300	538,107	65,940	75,482	162,333	191,564	225,424
Capital Grants and Contributions	6,600	223,121	162,357	173,416	594,727	1,018,140	143,807	2,071,341	824,472	61,821
<b>Total Governmental Activities Program Revenues</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>439,941</b>
<b>Business-Type Activities</b>										
Charges for Services:										
Water	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	2,250,004
Sewer	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	1,340,906
Sanitation	-	-	-	-	-	-	-	-	434,146	432,983
Capital Grants and Contributions	-	-	485,282	308,451	344,926	-	-	132,428	1,225,276	1,580,683
<b>Total Business-Type Activities Program Revenues</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>5,604,576</b>
<b>Total Primary Government Program Revenues</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>6,044,517</b>
<b>Net (Expense) Revenue</b>										
Governmental Activities	(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)	(8,002,220)
Business-Type Activities	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	1,981,693
<b>Total Primary Government Net Revenue / (Expense)</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>	<b>(6,020,527)</b>

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

Schedule 2

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues</b>										
<b>Governmental Activities:</b>										
Taxes	\$ 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	\$ 4,331,154
Business Licenses	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	2,441,825
Unrestricted Grants and Contributions	189,419	177,130	230,925	485,733	200,927	237,122	137,166	148,527	123,622	181,036
Investment Earnings	119,104	92,314	41,469	26,818	9,891	6,014	4,483	4,406	10,476	22,506
Miscellaneous	-	-	-	-	-	-	-	20,658	203,948	183,197
Transfers	655,684	992,483	1,281,316	1,295,167	1,333,255	712,358	992,103	167,915	(212,690)	600,000
<b>Total Government Activities</b>	<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>	<u>7,759,718</u>
<b>Business-Type Activities:</b>										
Investment Earnings	64,183	31,564	11,563	8,175	3,175	1,855	1,204	1,232	2,570	5,470
Miscellaneous	-	-	-	-	-	-	-	-	12,245	2,250
Transfers	(655,684)	(992,483)	(1,281,316)	(1,295,167)	(1,333,255)	(712,358)	(992,103)	(167,915)	212,690	(600,000)
<b>Total Business-Type Activities</b>	<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>	<u>(592,280)</u>
<b>Total Primary Government</b>	<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>	<u>7,167,438</u>
<b>Change In Net Position</b>										
Prior Period Adjustment	-	-	-	-	(118,616)	-	(6,118,692)	-	-	(2,201,858)
Governmental Activities	507,629	557,056	736,106	472,316	892,520	558,711	417,527	1,640,593	(40,081)	(242,502)
Business-Type Activities	331,535	507,229	79,877	183,421	(116,141)	289,645	(248,129)	815,656	1,895,215	1,389,413
<b>Total Primary Government</b>	<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>	<u>(1,054,947)</u>

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

**Schedule 3**

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>GENERAL FUND</b>										
Unassigned	\$ 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	\$ 3,890,104
Nonspendable	-	-	-	-	-	-	3,558	-	-	-
Total General Fund	<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>	<u>3,890,104</u>
<b>GRANT FUND</b>										
Restricted	-	-	8,432	-	-	-	-	-	-	-
Total Economic Development Fund	<u>-</u>	<u>-</u>	<u>8,432</u>	<u>-</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	2,027,828
Restricted	-	-	-	-	12,902	8,972	10,264	3,581	3,581	-
Total Capital Projects Fund	<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>	<u>2,027,828</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Assigned	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	151,659
Committed	-	-	574,689	672,780	326,630	424,681	504,696	682,229	899,138	1,023,605
Total All Other Governmental Funds	<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>	<u>1,175,264</u>
<b>TOTAL GOVERNMENTAL FUND BALANCE</b>	<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>	<u>\$ 7,093,196</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 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	\$ 6,768,204
Fines, Fees, and Licenses	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	152,696
Intergovernmental	160,530	134,627	112,117	98,705	116,462	117,132	118,159	118,159	123,622	121,924
Solid Waste Disposal Charges	411,722	389,379	423,067	420,498	447,965	436,660	-	-	-	-
Miscellaneous	201,507	545,607	711,091	1,329,012	1,074,476	1,211,443	274,561	2,288,910	1,230,460	552,060
Total Revenues	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	7,594,884
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/Council/Attorney/Judge	256,744	264,334	241,767	273,453	318,823	285,505	204,330	213,872	197,444	244,547
City Manager/City Clerk	188,369	193,593	194,123	196,101	195,632	277,729	222,423	226,345	249,319	352,913
Finance	382,297	398,053	408,211	413,144	424,484	412,476	374,667	403,630	324,552	323,197
Public Works	1,294,674	1,143,648	1,100,502	1,472,363	1,424,284	1,254,186	892,741	832,632	888,600	929,780
Planning and Development	215,954	288,193	239,008	266,383	240,273	248,934	259,711	261,735	167,610	152,367
Judicial	349,320	165,602	173,292	170,977	164,265	160,529	162,048	176,790	197,665	230,322
Police	-	-	-	-	-	-	2,313,395	2,340,922	2,369,771	2,440,538
Fire	-	-	-	-	-	-	875,389	1,130,272	1,188,079	1,207,146
Public Safety	2,669,446	2,800,562	3,096,021	3,152,902	3,064,326	2,873,095	-	-	-	-
Sanitation	405,344	720,422	405,982	437,888	391,442	334,599	395,657	400,243	-	-
Parks	354,600	301,156	389,264	554,953	360,900	343,666	372,497	409,639	436,332	406,793
Tourism	194,839	336,880	366,275	405,774	383,915	406,779	463,022	434,783	431,692	576,018
Housing Project	1,088	17,313	9,618	5,065	511	403	15,404	62	59	66
Walterboro Wildlife Sanctuary	60,077	145,765	10,732	7,811	1,878	3,425	-	-	-	39,000
Non-Departmental Support	604,486	255,182	43,160	16,497	10,806	426,366	78,050	-	-	-
Reserve Accounts	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	575,340
Interest	-	-	132,758	124,666	117,856	107,464	101,223	91,310	75,058	68,679
Capital Outlay	-	-	898,587	958,082	2,272,865	1,499,567	695,380	2,453,607	1,019,351	855,970
Total Expenditures	7,005,877	7,178,752	8,305,876	9,160,966	10,024,206	9,368,406	8,225,244	10,165,125	8,304,293	8,402,676
Excess (deficiency) of revenues over (under) expenditures	(609,513)	(687,183)	(1,279,749)	(1,691,969)	(2,787,260)	(1,457,063)	(1,078,314)	(700,354)	(214,241)	(807,792)
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	-	-	-	1,351,883	-	312,000	204,965	-	372,760	2,144,952
Transfers In	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	862,800
Transfers Out	(785,633)	(1,057,168)	(879,577)	(877,990)	(900,990)	(3,210,901)	(264,397)	(881,085)	(716,484)	(262,800)
Total Other Financing Sources (Uses)	527,650	694,447	1,281,316	2,647,050	1,333,255	1,024,358	1,197,068	167,915	466,355	2,744,952
Net Change in Fund Balances	(81,863)	7,264	1,567	955,081	(1,454,005)	(432,705)	118,754	(532,439)	252,114	1,937,160
Fund Balances, Beginning	7,093,196	7,011,333	6,462,669	6,249,236	7,204,317	5,750,312	5,317,607	5,436,361	4,903,922	5,156,036
Prior Period Adjustment(s)	-	-	(215,000)	-	-	-	-	-	-	-
<b>Fund Balances, Ending</b>	<b>\$ 7,011,333</b>	<b>\$ 7,018,597</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>\$ 5,156,036</b>	<b>\$ 7,093,196</b>
Debt service as a percentage of noncapital expenditures	N/A	N/A	5.5%	5.8%	6.3%	6.5%	8.0%	7.9%	7.8%	8.5%

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>	
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
2018*	25,104,690	6,310,000	31,414,690	498,656,981	73,909,700	572,566,681	86.40

\* 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
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
2018	86.40	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	2018			2009		
	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.	\$ 1,472,110	1	7.67 %	N/A		N/A %
WALTERBORO COMMUNITY HOSPITAL	1,006,880	2	5.25	N/A		N/A
WAL-MART REAL ESTATE BUSINESS TRUST	735,000	3	3.83	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
CP - WALTERBORO	228,840	9	1.19	N/A		N/A
PALMETTO RURAL TEL COOP INC	190,230	10	0.99	N/A		N/A
Total	<u>\$ 5,217,030</u>		<u>27.20 %</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	
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	
2018	1,703,024	1,606,779	94.3		38,002	1,644,781	96.6	

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			
2009	\$ 1,315,273	\$ 1,464,973	\$ 126,076	\$ 729,944	\$ -	\$ -	\$ 3,636,266	N/A	\$ 628
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
2018	2,366,392	410,167	445,837	967,483	4,206,429	63,227	8,459,535	24.62	1,233.17

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>
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
2018	967,483	3.1%	189

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2018**

**Schedule 11**

<b><u>GOVERNMENTAL UNIT</u></b>	<b><u>DEBT OUTSTANDING</u></b>	<b><u>ESTIMATED PERCENTAGE APPLICABLE</u></b>	<b><u>ESTIMATED SHARE OF OVERLAPPING DEBT</u></b>
<b>Debt repaid with property taxes</b>			
Colleton County	\$ 34,290,716	20.00%	\$ 6,858,143
Fire and Rescue	5,755,032	20.00%	1,151,006
Colleton County School District	80,191,607	20.00%	16,038,321
Subtotal overlapping debt	<u>120,237,355</u>		<u>24,047,471</u>
<b>City direct debt</b>	<u>4,189,879</u>	100.00%	<u>4,189,879</u>
Total direct and overlapping debt	<u><u>\$ 124,427,234</u></u>		<u><u>\$ 28,237,350</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**

<b>Legal Debt Margin Calculation for Fiscal Year 2018</b>	
Assessed Value	\$ 31,414,690
Debt limit (8% of assessed value)	2,513,175
Debt applicable to limit:	
General Obligation Bonds	
Total net debt applicable to limit	<u>(967,483)</u>
Legal Debt Margin	<u>\$ 1,545,692</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>	<u>2018</u>
Debt Limit	\$ 3,740,711	\$ 2,088,699	\$ 2,034,134	\$ 2,046,756	\$ 2,029,365	\$ 1,974,998	\$ 2,079,033	\$ 2,072,439	\$ 2,072,439	\$ 2,513,175
Total net debt applicable to limit	<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>(1,299,360)</u>	<u>(967,483)</u>
Legal debt margin	<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>\$ 773,079</u>	<u>\$ 1,545,692</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>62.7%</u>	<u>38.5%</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
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
2018	4,023,893	2,652,214	1,371,679	362,546	77,425	9.1

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>	
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	42.5	864	6.50	
2018	5,121	34,362	19,179	44.1	864	6.10	

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	2018				2009			
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT		EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	
Colleton County School Board	900	1	N/A	%	N/A	N/A	N/A	%
Colleton County	464	2	N/A		N/A	N/A	N/A	
Colleton Medical Center	419	3	N/A		N/A	N/A	N/A	
Walmart	325	4	N/A		N/A	N/A	N/A	
Veterans Victory House	211	5	N/A		N/A	N/A	N/A	
BiLo	101	6	N/A		N/A	N/A	N/A	
City of Walterboro	121	7	N/A		N/A	N/A	N/A	
Cracker Barrel	101	8	N/A		N/A	N/A	N/A	
Pioneer Boats	94	9	N/A		N/A	N/A	N/A	
Carolina Visuals	78	10	N/A		N/A	N/A	N/A	
Total	2,814		-	%	-		-	%

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>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>	<b>2018</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	3	3
Finance	4	4	4	5	5	4	4	4	3	3
Public Works	16	16	16	15.5	15.5	15.5	11.5	11.5	12	12
Planning and Development	4	4	4	4	4	3	4	4	3	2
Police	-	-	-	-	-	-	36	36	36	36
Judicial	3.5	3.5	3.5	2.5	3.5	3.5	3.5	3.5	4	4
Fire	-	-	-	-	-	-	11.5	14.5	15	15
Public Safety	45	46	46	46	46	46	-	-	-	-
Sanitation	5	5	5	5	5	5	5	5	5	5
Parks	6	6	8	8	8	7	7	7	7	7
Tourism	2.5	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	7	7	7	7	7	7.5	8.5	9.5	9.5	10
Utility Support	2	2	2	2	2	2	2	2	4	4
Sewer	5.5	5.5	5.5	5.5	5.5	5.5	8.5	4	4	4
Sewer Support	-	-	-	-	-	-	-	5	5	5
<b>Total</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>	<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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Business Licenses</b>										
NUMBERS ISSUED	888	885	816	880	844	733	905	1,017	1,016	957
Sales Reported for Licenses*	\$ 534,373	\$ 545,401	\$ 542,750	\$ 547,523	\$ 571,142	\$ 541,735	\$ 582,913	\$ 609,080	\$ 621,592	\$ 615,862
<b>Commercial Building Permits Issued</b>										
NUMBERS ISSUED	54	63	59	63	63	78	77	56	67	57
Sales Reported for Permits Issued*	\$ 13,773	\$ 12,952	\$ 24,183	\$ 11,309	\$ 15,319	\$ 32,701	\$ 30,140	\$ 46,562	\$ 36,636	\$ 39,101
<b>Residential Building Permits Issued</b>										
NUMBERS ISSUED	106	110	91	93	104	135	136	136	102	87
Sales Reported for Permits Issued*	\$ 11,975	\$ 10,954	\$ 9,063	\$ 8,311	\$ 9,805	\$ 11,395	\$ 9,749	\$ 18,523	\$ 12,343	\$ 11,757

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>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><u>2018</u></b>
<b>EMERGENCY SERVICES:</b>										
NUMBER OF FIRE STATIONS	3	3	3	3	3	3	3	3	3	3
NUMBER OF FIRE TRUCKS	3	3	3	3	4	4	4	4	5	5
NUMBER OF POLICE STATIONS	3	3	3	3	3	3	3	1	1	1
NUMBER OF POLICE VEHICLES	38	40	44	44	44	44	44	38	36	34
<b>PUBLIC WORKS</b>										
NUMBER OF GARBAGE TRUCKS	5	5	5	5	5	5	6	6	6	6
<b>WATER/SEWER</b>										
MILES OF PIPE IN GROUND										
WATER	290	291	291	291	291	291	291	291	291	291
SEWER	77	78	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, 2018**

<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>				
North Lemacks Street Village Renaissance Phase III Plan		4-V-14-002	-	\$ 162,471
<b>Total Community Development Block Grant</b>	14.228		-	162,471
<b>U.S. Department of Commerce</b>				
<i>Passed through the Economic Development Administration</i>				
Wastewater Treatment Plant	11.300	04-01-07114	-	1,580,683
<b>U.S. Department of Justice</b>				
Bullet Proof Vest Partnership Program	16.607		-	3,038
<b>U.S.Environmental Protection Agency</b>				
National Heritage Area Federal Financial Assistance	15.939			39,981
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			18,756
<b>U. S. Department of Homeland Security</b>				
<i>Passed through the South Carolina Emergency Management</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4166-DR-SC		5,614
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4286-DR-SC		55,285
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,865,828
<b>State Grantor</b>	<b>State Grant Number</b>	<b>Entity Identifying Number</b>	<b>Pass-Through to Sub-Recipients</b>	<b>Total State Expenditures</b>
<b>SC Rural Infrastructure Authority (RIA)</b>				
Wastewater Treatment Plant Upgrades	R-16-1088		\$ -	\$ 500,000

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, 2018**

**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, 2018. 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, 2018, 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 November 14, 2018.

**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. However, material weaknesses may exist that have not been identified.

**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, with the letters "B", "A", and "G" being particularly large and stylized.

The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, Georgia  
November 14, 2018



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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, 2018. 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, 2018.

**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.



THE BAIRD AUDIT GROUP, LLC  
Certified Public Accountants

Augusta, Georgia  
November 14, 2018

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**I. Summary of Auditors' Results**

- A. The auditors' report expresses an unmodified opinion on the financial statements of the City of Walterboro, South Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies 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, 2018 is:

<u>Program Name</u>	<u>CFDA#</u>
Investment for Public Works and Economic Development Facilities	11.300

- 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 is a low risk auditee.

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

There were no findings noted for the year ended June 30, 2018, which are required to be reported in accordance with *Government Auditing Standards*.

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

There were no findings noted for the year ended June 30, 2018, 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:**

Finding 2017-001 as noted for the year ended June 30, 2017 which are required to be reported in accordance with *Government Auditing Standards*, was corrected.