



CITY OF WALTERBORO SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

MAYOR

WILLIAM T. YOUNG, JR

CITY COUNCIL

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

CITY MANAGER

JEFF MOLINARI

DIRECTOR OF FINANCE AND ADMINISTRATION

AMY RISHER

PREPARED BY:
FINANCE DEPARTMENT

City of Walterboro, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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City of Walterboro, South Carolina

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For the Fiscal Year Ended June 30, 2016**

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INTRODUCTORY SECTION



November 3, 2016

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, 2016.

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

The City's financial statements have been audited by Baird & Company, CPAs, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involves examining on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2016, 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, 2016, the City occupied a land area of 6.7 square miles and serves a population of approximately 5,278. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Walterboro are required to submit requests for appropriations to the manager on or before the last day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. These requests are based upon the policy goals requested by the Council at an annual planning retreat. The City Manager then presents this proposed budget to the Council for review prior to May 15th. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 56 as part of the required supplementary information for governmental funds.

Factors Affecting Financial Condition

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

Local Economy

According to the Census Bureau, median household income is approximately \$31,966. Walterboro's existing retail marketplace is approximately \$371 million (as extrapolated from business license returns). Major retailers including Wal-Mart, Belk's, Rite-Aid, Bi-Lo, Westbury's Ace Hardware, Dollar General, Auto Zone, Walgreen's, CVS, and more than a dozen large hotels have chosen to set up operations in Walterboro's vibrant local economy. In 2016, two new restaurants and one retail store have been constructed as well as several major up-fits to existing buildings which includes the new Sav-A-Lot and Trident Pain Center. Other proposed developments, primarily commercial, are now under construction including a four story hotel located at exit 53 of I-95. Economic development efforts in the past six years have created substantial commercial redevelopment throughout the City.

Long-term Financial Planning

One of the City's primary concerns is that the necessary planning and growth management tools are implemented to assure that the future cost of providing City services does not exceed the revenues generated from slow--but steady--growth. During the budget preparation process, capital needs are projected five years into the future, along with anticipated revenues and related operating expenditures. These projections are updated each year. The City's water and wastewater treatment resources continue to be a critical component of the City's ability to service its population and attract commercial development. There was a 5% rate increase for water and sewer service in fiscal year 2015-2016. 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 one water upgrade project that are financed primarily by grants at minimal cost to the City. These programs will enhance the quality of life for all of our citizens with major benefits to some of our lower income citizens.

These programs include:

- 1) \$596,963 for revitalization of the North Lemacks Street neighborhood Phase III
- 2) \$893,795 for Hampton Street Area Water Upgrade
- 3) \$1,443,607 for Phase IC & Phase 1D of the I-95 Business Loop Streetscape project

The North Lemacks Street revitalization project will be completed in 2017.

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 four consecutive years, the City of Waltherboro 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 'JPM', with a small flourish at the end.

Jeffrey P. Molinari
City Manager

A handwritten signature in blue ink, appearing to read 'Amy J. Risner', with a stylized 'h' at the end.

Amy J. Risner
Director of Finance & Administration



Government Finance Officers Association

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

Presented to

**City of Walterboro
South Carolina**

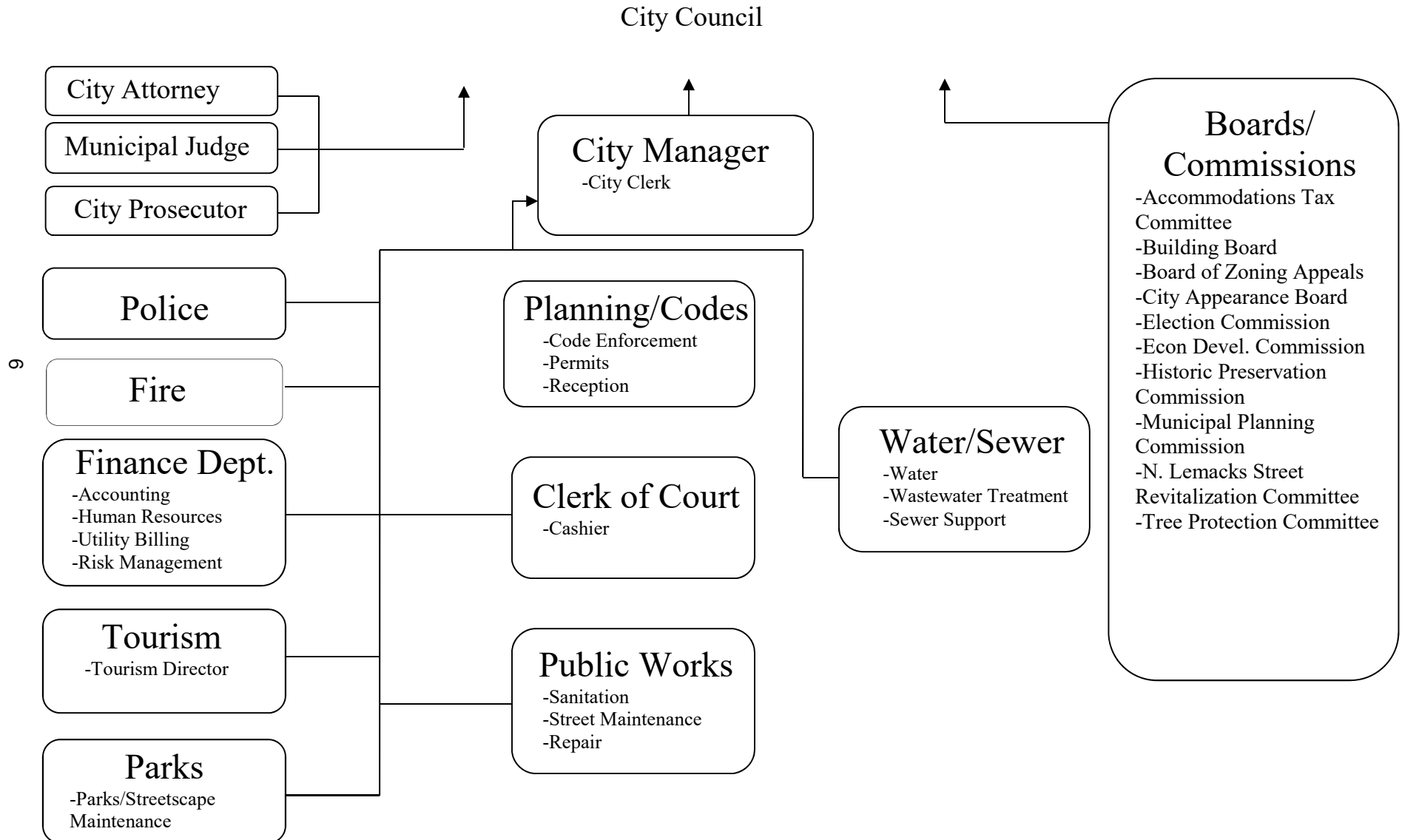
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO
SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2016**

| TITLE | NAME |
|---|------------------------|
| Mayor..... | William T. Young, Jr. |
| Council Member..... | James Broderick |
| Council Member..... | Tom Lohr |
| Council Member..... | Jimmy Syfrett |
| Council Member..... | Judy Bridge |
| Council Member..... | Robert Bonds |
| Council Member..... | Paul Siegel |
| City Manager..... | Jeff Molinari |
| Director of Finance and Administration..... | Amy Risher |
| City Attorney..... | George W. Cone |
| Utility Director..... | Wayne Crosby |
| Public Works Director..... | Michael Crosby |
| Building Official & Code Enforcement..... | Angelo Pacilio |
| Planning & Codes Director..... | Vacant |
| Police Chief..... | Wade Marvin |
| Fire Chief..... | Wayne Lake |
| Tourism Director..... | Michelle H. Strickland |
| Parks Director..... | Adam Davis |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2016, 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, 2016, 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 and the Schedule of Funding Progress and Employer Contributions 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 3, 2016, 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 3, 2016

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, 2016. 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 \$26,537,756 (net position). Of this amount, \$996,836 (restricted net position) was restricted for specific purposes, \$27,005,398 represented the net investment in capital assets, and the remaining deficit of \$(1,464,478) was unrestricted. The City's total net position increased by \$2,456,249 for the year ended June 30, 2016.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$4,903,919, a decrease of \$532,442.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,970,298 or 50% 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 \$19,517,335, an increase of \$815,656.

Overview of the Financial Statements

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

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

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

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

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

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 and sewer services, which is an enterprise fund. A budget is presented in the supplemental statements to monitor the performance of the water and sewer operations. Also included in the supplemental statements is a combining statement that reports the balances by City for the communities of Ruffin and Hendersonville. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-58 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget, historical pension and other post employment benefits on pages 59-62.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 63-78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City of Walterboro assets and deferred outflows exceeded liabilities and deferred inflows by \$26,537,756 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 | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Cash and Other Assets | \$ 6,007,996 | \$ 6,087,605 | \$ 2,320,705 | \$ 1,945,125 | \$ 8,328,701 | \$ 8,032,730 |
| Capital Assets | 11,319,303 | 9,572,189 | 21,372,945 | 20,954,291 | 32,692,248 | 30,526,480 |
| Total Assets | 17,327,299 | 15,659,794 | 23,693,650 | 22,899,416 | 41,020,949 | 38,559,210 |
| Deferred Outflows of Resources | 804,557 | 516,235 | - | 97,929 | 804,557 | 614,164 |
| Long-term Liabilities Outstanding | 9,491,702 | 8,216,487 | 3,126,761 | 4,439,551 | 12,618,463 | 12,656,038 |
| Other Liabilities | 1,553,544 | 1,093,796 | 1,049,554 | 750,719 | 2,603,098 | 1,844,515 |
| Total Liabilities | 11,045,246 | 9,310,283 | 4,176,315 | 5,190,270 | 15,221,561 | 14,500,553 |
| Deferred Inflows of Resources | 66,189 | 496,174 | - | 95,140 | 66,189 | 591,314 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 9,045,274 | 6,897,964 | 17,960,124 | 17,202,523 | 27,005,398 | 24,100,487 |
| Restricted | 781,910 | 614,751 | 214,926 | 216,921 | 996,836 | 831,672 |
| Unrestricted | (2,806,763) | (1,143,143) | 1,342,285 | 292,491 | (1,464,478) | (850,652) |
| Total Net Position | \$ 7,020,421 | \$ 6,369,572 | \$ 19,517,335 | \$ 17,711,935 | \$ 26,537,756 | \$ 24,081,507 |

By far the largest portion of the City's net position \$27,005,398 (102%) 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 portions of the net position of \$996,836 (4%) represents restricted resources and are not available to fund other commitments. The largest portion \$682,229 of the restricted net position represent assets that have been committed in the special revenue funds for tourism related expenses. The remaining restricted net position of \$214,926 relates to debt covenants in the proprietary fund, and special revenue funds of \$99,681 committed to housing, public safety, and projects of the City.

The balance of unrestricted net position represents a deficit of \$(1,464,478) (-6%) due to the recognition of the net pension liability of \$6,965,343 as a long-term obligation.

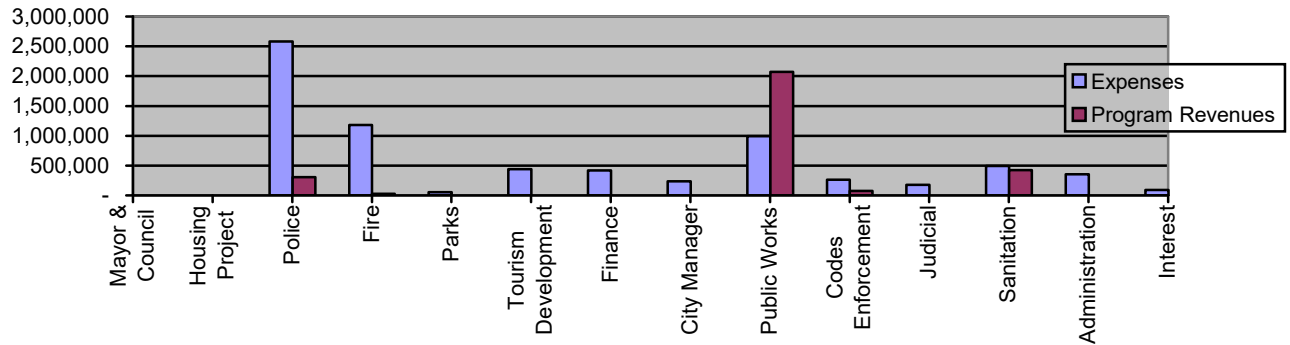
The City's total net position increased by \$2,456,249 for the year ended June 30, 2016 summarized below:

| CITY OF WALTERBORO, SOUTH CAROLINA CHANGES IN NET POSITION | | | | | | |
|--|-------------------------|--------------|---------------------------|---------------|---------------|---------------|
| | Governmental Activities | | Business -Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Program Revenues | | | | | | |
| Charges for Services | \$ 673,814 | \$ 656,286 | \$ 3,646,372 | \$ 3,426,787 | \$ 4,320,186 | \$ 4,083,073 |
| Operating Grants and Contributions | 162,333 | 75,482 | - | - | 162,333 | 75,482 |
| Capital Grants and Contributions | 2,071,341 | 143,807 | 132,428 | - | 2,203,769 | 143,807 |
| General Revenues | | | | | | |
| Taxes | 4,111,611 | 3,855,942 | - | - | 4,111,611 | 3,855,942 |
| Business Licenses | 2,278,734 | 2,281,637 | - | - | 2,278,734 | 2,281,637 |
| Grants and contributions not restricted to specific programs | 148,527 | 137,166 | - | - | 148,527 | 137,166 |
| Investment earnings | 4,406 | 4,483 | 1,232 | 1,204 | 5,638 | 5,687 |
| Miscellaneous | 20,658 | - | - | - | 20,658 | - |
| Total revenues | 9,471,424 | 7,154,803 | 3,780,032 | 3,427,991 | 13,251,456 | 10,582,794 |
| Expenses | | | | | | |
| Mayor and Council | 214,369 | 205,302 | - | - | 214,369 | 205,302 |
| Housing Project | 62 | 15,404 | - | - | 62 | 15,404 |
| Police | 2,584,037 | 2,575,561 | - | - | 2,584,037 | 2,575,561 |
| Fire | 1,179,975 | 926,880 | - | - | 1,179,975 | 926,880 |
| Parks | 555,763 | 518,695 | - | - | 555,763 | 518,695 |
| Tourism Development | 437,928 | 461,868 | - | - | 437,928 | 461,868 |
| Finance | 417,915 | 376,923 | - | - | 417,915 | 376,923 |
| City Manager | 237,284 | 234,493 | - | - | 237,284 | 234,493 |
| Public Works | 990,559 | 1,032,399 | - | - | 990,559 | 1,032,399 |
| Codes Enforcement | 261,833 | 266,386 | - | - | 261,833 | 266,386 |
| Judicial | 177,325 | 161,538 | - | - | 177,325 | 161,538 |
| Sanitation | 496,128 | 477,421 | - | - | 496,128 | 477,421 |
| Non-Department Support | - | 78,050 | - | - | - | 78,050 |
| Administration | 353,543 | 298,563 | - | - | 353,543 | 298,563 |
| Interest Expense | 92,025 | 99,896 | 79,112 | 86,931 | 171,137 | 186,827 |
| Water | - | - | 1,179,967 | 1,148,318 | 1,179,967 | 1,148,318 |
| Sewer | - | - | 1,097,332 | 1,314,793 | 1,097,332 | 1,314,793 |
| Sewer Support | - | - | 321,292 | - | 321,292 | - |
| Utility Support | - | - | 118,758 | 133,975 | 118,758 | 133,975 |
| Total expenses | 7,998,746 | 7,729,379 | 2,796,461 | 2,684,017 | 10,795,207 | 10,413,396 |
| Change in net position before transfers | 1,472,678 | (574,576) | 983,571 | 743,974 | 2,456,249 | 169,398 |
| Transfers | 167,915 | 992,103 | (167,915) | (992,103) | - | - |
| Change in net position | 1,640,593 | 417,527 | 815,656 | (248,129) | 2,456,249 | 169,398 |
| Net position – beginning | 6,369,572 | 11,086,260 | 17,711,935 | 18,944,541 | 24,081,507 | 30,030,801 |
| Prior period adjustment | (989,744) | (5,134,215) | 989,744 | (984,477) | - | (6,118,692) |
| Net position – ending | \$ 7,020,421 | \$ 6,369,572 | \$ 19,517,335 | \$ 17,711,935 | \$ 26,537,756 | \$ 24,081,507 |

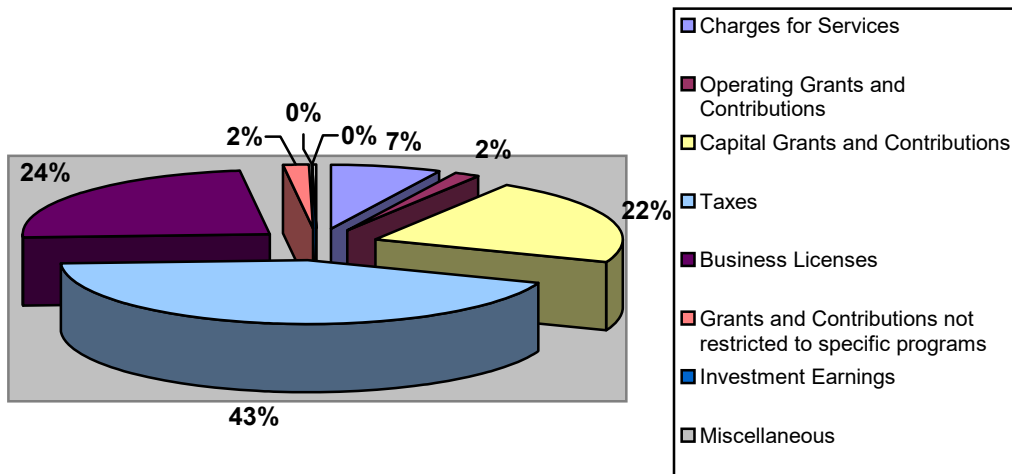
Governmental activities. Governmental activities increased the City's net position by \$1,640,593 for the fiscal year ended June 30, 2016. Key elements of this increase are as follows:

- Capital grants and contributions for governmental activities increased approximately \$1,900,000 due to federal grants and the passage of the local option capital projects sales tax.
- The Fire Department expenses were up due to the addition of three new firefighters and unexpected repairs and maintenance.
- The Finance Department expenses were up due to the addition of one new staff member.
- Public Works expenses are down because employees were transferred to business-type activities and select sewer expenses were transferred to sewer support.
- Transfers down in to governmental funds are down because public works employees were reclassified to business-type activities and projects of \$673,085 were transferred to the business type activities.
- The net pension liability of \$989,744 was transferred as a prior period adjustment from the business-type activities to be reported in governmental activities in its entirety.
- Depreciation expenses of \$706,493 were recognized in each functional department.
- The net pension liability increased expenses by \$81,057.

Expenses and Program Revenues – Governmental Activities



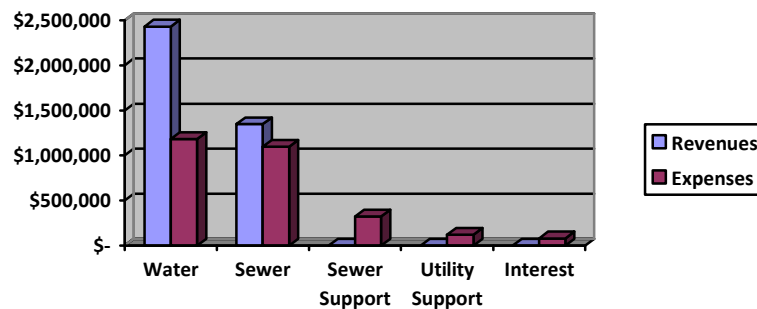
Revenues by Source – Governmental Activities



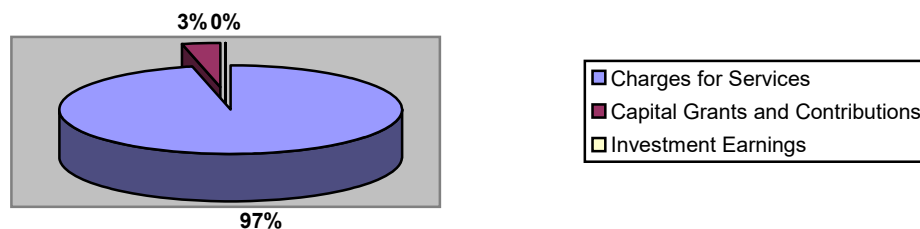
Business-type activities. Business-type activities increased the City's net position by \$815,656. The water and sewer activities account for the entire decrease. Key elements of this increase are as follows:

- Charges for services are up because water and sewer rates were increased by 5%.
- Overall expenses were up because utility support was moved from public works in governmental activities to the sewer and utility support in business-type activities and is reflected as a decrease in expenses for public works and an increase in expenses in sewer and utility support in business-type activities.
- Transfers to the general fund decreased because of the transfer of public works employees to the sewer and utility support and projects of \$673,085 were transferred into the business-type activities from governmental funds.
- The prior period adjustment is to report a pension liability for the cost sharing pension plan (SCRS and PORS) in accordance with a change in generally accepted accounting principles. This restatement resulted in an increase in the net position of \$989,744 in business-type activities because the net pension liability was reported in governmental activities.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,903,919, a decrease of \$532,442.

The fund balance of the City's general fund decreased by \$522,553 during the current fiscal year which was a budgeted decrease.

The fund balance of the City's capital projects fund decreased by \$183,731 during the current fiscal year for expenditures being transferred to the proprietary fund for water related projects.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets as of June 30, 2016 amounts to \$32,692,248 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

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

- Completed improvements on water pump of \$5,100, Storm Drainage of \$38,921, and vehicles for \$67,229.
- Continued progress on the I-95 Loop Project for \$1,007,051, S. Jefferies Streetscape for \$488,000, Hampton Street water upgrade for \$796,055, and feasibility/biosolids waste water treatment upgrade for \$218,175.
- Building and improvements for 300 Hampton Street of \$430,724.
- Various vehicles and other equipment for \$388,294.

| CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS | | | | | | |
|---|-------------------------|---------------------|---------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business -Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land and Land Improvements | \$ 1,257,063 | \$ 1,257,063 | \$ 44,773 | \$ 44,773 | \$ 1,301,836 | \$ 1,301,836 |
| Construction in progress | 2,326,500 | 771,102 | 1,167,555 | 189,988 | 3,494,055 | 961,090 |
| Buildings and Improvements | 3,020,179 | 2,677,466 | 42,622 | 58,591 | 3,062,801 | 2,736,057 |
| Machinery and Equipment | 665,504 | 675,452 | 57,464 | 89,250 | 722,968 | 764,702 |
| Vehicles | 1,357,858 | 1,421,640 | 204,718 | 56,572 | 1,562,576 | 1,478,212 |
| Infrastructure | 2,692,199 | 2,769,466 | 19,855,813 | 20,515,117 | 22,548,012 | 23,284,583 |
| Total | <u>\$ 11,319,303</u> | <u>\$ 9,572,189</u> | <u>\$ 21,372,945</u> | <u>\$ 20,954,291</u> | <u>\$ 32,692,248</u> | <u>\$ 30,526,480</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 \$13,504,317. The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in accordance with generally accepted accounting principles and is reporting its proportionate share of the net pension liability. Changes in outstanding debt are summarized below.

| | CITY OF WALTERBORO, SOUTH CAROLINA OUTSTANDING OBLIGATION | | | | | |
|--------------------------|---|--------------|---------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business -Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ 1,299,360 | \$ 1,458,487 | \$ - | \$ - | \$ 1,299,360 | \$ 1,458,487 |
| Revenue Bonds | 1,290,814 | 1,537,947 | 3,412,821 | 3,751,769 | 4,703,635 | 5,289,716 |
| Capital Lease | 292,880 | 403,417 | - | - | 292,880 | 403,417 |
| Annual Leave | 199,313 | 183,552 | 43,786 | 39,173 | 243,099 | 222,725 |
| Net Pension Liability | 6,965,343 | 5,176,235 | - | 992,533 * | 6,965,343 | 6,168,768 |
| Total | \$ 10,047,710 | \$ 8,759,638 | \$ 3,456,607 | \$ 4,783,475 | \$ 13,504,317 | \$ 13,543,113 |

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 \$2,072,439 of which \$1,229,360 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 is tipping into recession, the city has experienced continued growth in the retail and hospitality sectors which has stabilized the local economy. Local accommodation taxes had an increase of 8.9% while local hospitality had an increase of 5.2%.
- Property taxes increased by 2.8% primarily due to an increased collection of vehicle taxes.
- The City's economic development department continued to receive inquiries regarding commercial space and development opportunities located within City limits, which indicates businesses are optimistic about continued economic growth in Walterboro.
- There were no significant budget variances in the current year's budget.

During the current fiscal year, the fund balance in the general fund decreased by \$522,553. The City set the millage for the 2017 budget at 88.0 mills. Budgeted general fund expenditures for 2017 are projected to be \$6,747,362. This represents a decrease of \$631,486 compared to budgeted expenditures in 2016. Also, the City has budgeted \$4,022,150 in expenditures for the proprietary fund in 2017. This represents an increase of \$504,412 compared to budgeted expenditures in 2016.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|---------------|-----------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Tourism Commission | Development Corporation |
| ASSETS | | | | | |
| Cash | \$ 4,258,390 | \$ 1,073,891 | \$ 5,332,281 | \$ 219 | \$ 132,462 |
| Receivables | 1,745,619 | 778,852 | 2,524,471 | 30,334 | - |
| Inventories | - | 249,531 | 249,531 | - | - |
| Notes Receivable | 3,987 | - | 3,987 | - | - |
| Restricted Cash | - | 214,926 | 214,926 | - | - |
| Due from other funds | - | 3,505 | 3,505 | - | - |
| Capital Assets, being depreciated | 7,735,740 | 20,160,617 | 27,896,357 | - | - |
| Capital Assets, not being depreciated | 3,583,563 | 1,212,328 | 4,795,891 | - | - |
| Total Assets | 17,327,299 | 23,693,650 | 41,020,949 | 30,553 | 132,462 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred Outflows on Net Pension Liability | 804,557 | - | 804,557 | - | - |
| Total Deferred Outflows of Resources | 804,557 | - | 804,557 | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 18,131,856 | \$ 23,693,650 | \$ 41,825,506 | \$ 30,553 | \$ 132,462 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 685,462 | \$ 378,324 | \$ 1,063,786 | \$ 16,000 | \$ - |
| Salaries and Benefits Payable | 298,246 | 20,289 | 318,535 | - | - |
| Interest Payable | 10,323 | 5,999 | 16,322 | - | - |
| Unearned Revenues | - | 43,498 | 43,498 | - | - |
| Customer Deposits | - | 271,598 | 271,598 | - | - |
| Due to other funds | 3,505 | - | 3,505 | - | - |
| Noncurrent Liabilities: | | | | | |
| Due within one year | 556,008 | 329,846 | 885,854 | - | - |
| Due in more than one year | 9,491,702 | 3,126,761 | 12,618,463 | - | - |
| Total Liabilities | 11,045,246 | 4,176,315 | 15,221,561 | 16,000 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Inflows on Net Pension Liability | 66,189 | - | 66,189 | - | - |
| Total Deferred Inflows of Resources | 66,189 | - | 66,189 | - | - |
| NET POSITION | | | | | |
| Unrestricted | (2,806,763) | 1,342,285 | (1,464,478) | - | 82,692 |
| Restricted: | | | | | |
| Debt Service Escrow | - | 214,926 | 214,926 | - | - |
| Tourism | 682,229 | - | 682,229 | 14,553 | - |
| Other (see note 11) | 99,681 | - | 99,681 | - | 49,770 |
| Net Investment in Capital Assets | 9,045,274 | 17,960,124 | 27,005,398 | - | - |
| Total Net Position | 7,020,421 | 19,517,335 | 26,537,756 | 14,553 | 132,462 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 18,131,856 | \$ 23,693,650 | \$ 41,825,506 | \$ 30,553 | \$ 132,462 |

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, 2016

| 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 |
| Primary Government | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| Mayor and Council | \$ 214,369 | \$ - | \$ - | \$ - | \$ (214,369) | \$ - | \$ (214,369) | \$ - | \$ - |
| Housing Project | 62 | - | 298 | - | 236 | - | 236 | - | - |
| Police | 2,584,037 | 173,217 | 134,023 | - | (2,276,797) | - | (2,276,797) | - | - |
| Fire | 1,179,975 | - | 28,012 | - | (1,151,963) | - | (1,151,963) | - | - |
| Parks | 555,763 | - | - | - | (555,763) | - | (555,763) | - | - |
| Tourism Development | 437,928 | - | - | - | (437,928) | - | (437,928) | - | - |
| Finance | 417,915 | - | - | - | (417,915) | - | (417,915) | - | - |
| City Manager | 237,284 | - | - | - | (237,284) | - | (237,284) | - | - |
| Public Works | 990,559 | - | - | 2,071,341 | 1,080,782 | - | 1,080,782 | - | - |
| Codes Enforcement | 261,833 | 75,289 | - | - | (186,544) | - | (186,544) | - | - |
| Judicial | 177,325 | 1,409 | - | - | (175,916) | - | (175,916) | - | - |
| Sanitation | 496,128 | 423,899 | - | - | (72,229) | - | (72,229) | - | - |
| Administration | 353,543 | - | - | - | (353,543) | - | (353,543) | - | - |
| Interest on long-term debt | 92,025 | - | - | - | (92,025) | - | (92,025) | - | - |
| Total Governmental Activities | 7,998,746 | 673,814 | 162,333 | 2,071,341 | (5,091,258) | - | (5,091,258) | - | - |
| Business-type Activities | | | | | | | | | |
| Water | 1,179,967 | 2,298,824 | - | 132,428 | - | 1,251,285 | 1,251,285 | - | - |
| Sewer | 1,097,332 | 1,347,548 | - | - | - | 250,216 | 250,216 | - | - |
| Sewer Support | 321,292 | - | - | - | - | (321,292) | (321,292) | - | - |
| Utility Support | 118,758 | - | - | - | - | (118,758) | (118,758) | - | - |
| Interest on long-term debt | 79,112 | - | - | - | - | (79,112) | (79,112) | - | - |
| Total Business-type Activities | 2,796,461 | 3,646,372 | - | 132,428 | - | 982,339 | 982,339 | - | - |
| Total Primary Government | \$ 10,795,207 | \$ 4,320,186 | \$ 162,333 | \$ 2,203,769 | (5,091,258) | 982,339 | (4,108,919) | - | - |

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, 2016

| 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 |
| Component Units | | | | | | | | | |
| Tourism Commission | \$ 206,547 | \$ - | \$ 169,478 | \$ - | | | | (37,069) | - |
| Development Corporation | 10,814 | - | 5,164 | - | | | | - | (5,650) |
| Total Component Units | <u>\$ 217,361</u> | <u>\$ -</u> | <u>\$ 174,642</u> | <u>\$ -</u> | | | | <u>(37,069)</u> | <u>(5,650)</u> |
| General Revenues | | | | | | | | | |
| Property Taxes | | | | | 1,747,980 | - | 1,747,980 | - | - |
| Local Option Sales Taxes | | | | | 1,403,588 | - | 1,403,588 | - | - |
| Hospitality and Accommodations Taxes | | | | | 960,043 | - | 960,043 | - | - |
| Business Licenses | | | | | 2,278,734 | - | 2,278,734 | - | - |
| Grants and Contributions not restricted to specific programs | | | | | 148,527 | - | 148,527 | - | - |
| Investment Earnings | | | | | 4,406 | 1,232 | 5,638 | - | - |
| Miscellaneous | | | | | 20,658 | - | 20,658 | - | - |
| Transfers | | | | | 167,915 | (167,915) | - | - | - |
| Total General Revenues and Transfers | | | | | <u>6,731,851</u> | <u>(166,683)</u> | <u>6,565,168</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | | | | | 1,640,593 | 815,656 | 2,456,249 | (37,069) | (5,650) |
| Net Position, Beginning | | | | | 6,369,572 | 17,711,935 | 24,081,507 | 51,622 | 138,112 |
| Prior Period Restatement-see note 13 | | | | | (989,744) | 989,744 | - | - | - |
| Net Position, Ending | | | | | <u>\$ 7,020,421</u> | <u>\$ 19,517,335</u> | <u>\$ 26,537,756</u> | <u>\$ 14,553</u> | <u>\$ 132,462</u> |

CITY OF WALTERBORO, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------------|---|---|
| ASSETS | | | | |
| Cash | \$ 3,444,939 | \$ 156,765 | \$ 656,686 | \$ 4,258,390 |
| Receivables | 1,386,747 | 199,037 | 159,835 | 1,745,619 |
| Notes Receivable | - | - | 3,987 | 3,987 |
| Total Assets | <u>\$ 4,831,686</u> | <u>\$ 355,802</u> | <u>\$ 820,508</u> | <u>\$ 6,007,996</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 446,760 | \$ 200,510 | \$ 38,192 | \$ 685,462 |
| Salaries and Benefits Payable | 298,246 | - | - | 298,246 |
| Due to Other Funds | 3,505 | - | - | 3,505 |
| Total Liabilities | <u>748,511</u> | <u>200,510</u> | <u>38,192</u> | <u>987,213</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues-property taxes | 112,877 | - | | 112,877 |
| Unavailable revenues-revolving loans | - | - | 3,987 | 3,987 |
| Total Deferred Inflows of Resources | <u>112,877</u> | <u>-</u> | <u>3,987</u> | <u>116,864</u> |
| FUND BALANCES | | | | |
| Unassigned | 3,970,298 | - | - | 3,970,298 |
| Assigned | - | 151,711 | - | 151,711 |
| Restricted | - | 3,581 | 96,100 | 99,681 |
| Committed | - | - | 682,229 | 682,229 |
| Total Fund Balances | <u>3,970,298</u> | <u>155,292</u> | <u>778,329</u> | <u>4,903,919</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 4,831,686</u> | <u>\$ 355,802</u> | <u>\$ 820,508</u> | <u>\$ 6,007,996</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, 2016

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

| | | |
|--|----|-----------|
| Total fund balances for governmental funds | \$ | 4,903,919 |
|--|----|-----------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | | |
|---|----|------------------|------------|
| Land and Improvements | \$ | 1,257,063 | |
| Construction in Progress | | 2,326,500 | |
| Buildings and Improvements, net of \$1,445,996 accumulated depreciation | | 3,020,179 | |
| Machinery and Equipment, net of \$1,681,922 accumulated depreciation | | 665,504 | |
| Vehicles, net of \$2,720,142 accumulated depreciation | | 1,357,858 | |
| Infrastructure, net of \$403,545 accumulated depreciation | | <u>2,692,199</u> | |
| Total Capital Assets | | | 11,319,303 |

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

| | | | |
|--|--|----------------|---------|
| Deferred outflows of resources: | | 804,557 | |
| Related to pensions | | | |
| Deferred inflows of resources: | | | |
| Related to pensions | | (66,189) | |
| Related to receivables | | <u>116,864</u> | |
| Total deferred outflows and inflows of resources | | | 855,232 |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at June 30, 2016 are:

| | | | |
|------------------------------|--|------------------|---------------------|
| Accrued Interest Payable | | (10,323) | |
| Bonds Payable | | (2,590,174) | |
| Capital Leases | | (292,880) | |
| Net Pension Liability | | (6,965,343) | |
| Accrued Compensated Absences | | <u>(199,313)</u> | |
| Total Long-Term Liabilities | | | <u>(10,058,033)</u> |

| | | |
|---|----|-------------------------|
| Total net position of governmental activities | \$ | <u><u>7,020,421</u></u> |
|---|----|-------------------------|

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|--------------------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ 3,181,793 | \$ - | \$ 923,161 | \$ 4,104,954 |
| Fines, Fees and Licenses | 2,952,748 | - | - | 2,952,748 |
| Intergovernmental | 118,159 | - | - | 118,159 |
| Miscellaneous | 153,319 | 2,072,097 | 63,490 | 2,288,906 |
| Total Revenues | <u>6,406,019</u> | <u>2,072,097</u> | <u>986,651</u> | <u>9,464,767</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Mayor and Council | 213,872 | - | - | 213,872 |
| Housing Project | - | - | 62 | 62 |
| Police | 2,334,371 | - | 6,551 | 2,340,922 |
| Fire | 1,103,012 | - | 27,259 | 1,130,271 |
| Parks | 409,639 | - | - | 409,639 |
| Tourism Development | 157,823 | - | 276,960 | 434,783 |
| Finance | 403,630 | - | - | 403,630 |
| City Manager | 226,345 | - | - | 226,345 |
| Public Works | 828,990 | 2,613 | 1,029 | 832,632 |
| Codes Enforcement | 261,735 | - | - | 261,735 |
| Judicial | 176,790 | - | - | 176,790 |
| Sanitation | 400,243 | - | - | 400,243 |
| Administration | 272,486 | - | - | 272,486 |
| Capital Outlay | | | | |
| Finance | 430,724 | - | - | 430,724 |
| Police | 199,620 | - | - | 199,620 |
| Fire | 23,836 | - | - | 23,836 |
| Parks | 68,187 | - | - | 68,187 |
| Sanitation | 16,065 | - | - | 16,065 |
| Public Works | 120,856 | 1,580,130 | 14,189 | 1,715,175 |
| Debt Service | | | | |
| Principal | 269,663 | - | 247,134 | 516,797 |
| Interest | 53,685 | - | 37,625 | 91,310 |
| Total Expenditures | <u>7,971,572</u> | <u>1,582,743</u> | <u>610,809</u> | <u>10,165,124</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 1,046,000 | - | 3,000 | 1,049,000 |
| Transfers Out | (3,000) | (673,085) | (205,000) | (881,085) |
| Total Other Financing Sources (Uses) | <u>1,043,000</u> | <u>(673,085)</u> | <u>(202,000)</u> | <u>167,915</u> |
| Net Change in Fund Balances | (522,553) | (183,731) | 173,842 | (532,442) |
| Fund Balances, Beginning | 4,492,851 | 339,023 | 604,487 | 5,436,361 |
| Fund Balances, Ending | <u>\$ 3,970,298</u> | <u>\$ 155,292</u> | <u>\$ 778,329</u> | <u>\$ 4,903,919</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, 2016

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 | \$ | (532,442) |
|--|----|-----------|

| | | |
|---|--|-----------|
| 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 (\$2,453,607) exceeded depreciation (\$706,493) in the current period. | | 1,747,114 |
|---|--|-----------|

| | | |
|--|--|---------|
| Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | | 516,797 |
|--|--|---------|

Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

| | | | |
|---|----|-----------|----------|
| Pension contributions | \$ | (572,011) | |
| Cost of benefits earned net of employee contributions | | 490,954 | |
| Net change in pension contributions | | | (81,057) |

| | | |
|--|--|-------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 6,657 |
|--|--|-------|

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 | (15,761) | |
| Accrued interest | (715) | |
| Net change in expenses | | (16,476) |

| | | |
|---|----|-----------|
| Total change in net position of governmental activities | \$ | 1,640,593 |
|---|----|-----------|

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

| | Business-type Activities |
|--|-------------------------------------|
| | Enterprise Funds |
| | Water and Sewer |
| ASSETS | |
| Current Assets | |
| Cash | \$ 1,073,891 |
| Receivables | 778,852 |
| Inventories | 249,531 |
| Total Current Assets | <u>2,102,274</u> |
| Noncurrent Assets | |
| Restricted Cash | 214,926 |
| Due from Other Funds | 3,505 |
| Capital Assets - not being depreciated | 1,212,328 |
| Capital Assets - being depreciated | 20,160,617 |
| Total Noncurrent Assets | <u>21,591,376</u> |
| Total Assets | <u>23,693,650</u> |
| Total Assets | <u><u>\$ 23,693,650</u></u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | \$ 378,324 |
| Salaries and Benefits Payable | 20,289 |
| Interest Payable | 5,999 |
| Compensated Absences - current | 5,000 |
| Revenue Bonds Payable - current | 324,846 |
| Customer Deposits | 271,598 |
| Deferred Revenue | 43,498 |
| Total Current Liabilities | <u>1,049,554</u> |
| Noncurrent Liabilities | |
| Revenue Bonds Payable | 3,087,975 |
| Compensated Absences | 38,786 |
| Total Noncurrent Liabilities | <u>3,126,761</u> |
| Total Liabilities | <u>4,176,315</u> |
| NET POSITION | |
| Unrestricted | 1,342,285 |
| Restricted for Debt Escrow | 214,926 |
| Net Investment in Capital Assets | 17,960,124 |
| Total Net Position | <u>19,517,335</u> |
| Total Liabilities and Net Position | <u><u>\$ 23,693,650</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, 2016

| | Business-type Activities |
|---|-------------------------------------|
| | Enterprise Funds |
| | Water and Sewer |
| OPERATING REVENUES | |
| Charges for Services | |
| Water Sales | \$ 2,298,824 |
| Sewer Charges | 1,347,548 |
| Total Operating Revenues | <u>3,646,372</u> |
| OPERATING EXPENSES | |
| Costs of Sales and Services | |
| Water | 785,486 |
| Sewer | 733,992 |
| Sewer Support | 321,292 |
| Utility Support | 114,583 |
| Depreciation | 757,821 |
| Total Operating Expenses | <u>2,713,174</u> |
| Operating Income | <u>933,198</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Grant Revenue | 132,428 |
| Investment Income | 1,232 |
| Interest Expense | (79,112) |
| Bank Charges | (4,175) |
| Total Nonoperating Revenues (Expenses) | <u>50,373</u> |
| Income Before Contributions and Transfers | 983,571 |
| Transfers In | 673,085 |
| Transfers Out | <u>(841,000)</u> |
| Change in Net Position | 815,656 |
| Net Position, Beginning | 17,711,935 |
| Prior Period Adjustment-see note 13 | 989,744 |
| Net Position, Ending | <u><u>\$ 19,517,335</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, 2016

| | Business-type Activities |
|--|---------------------------------|
| | Enterprise Funds |
| | Water and Sewer |
| Cash Flows From Operating Activities | |
| Cash received from customers | \$ 3,569,820 |
| Cash paid for operating goods and services | (1,400,445) |
| Cash paid to employees | (312,211) |
| Net Cash Provided (Used) by Operating Activities | <u>1,857,164</u> |
| Cash Flows From Noncapital Financing Activities | |
| Transfers between other funds | (841,000) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(841,000)</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Transfers of capital assets between funds | 673,085 |
| Principal paid on capital debt | (338,948) |
| Grant and Developer Contributions | 132,428 |
| Interest paid on capital debt | (79,762) |
| Acquisition and construction of capital assets | (1,176,475) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(789,672)</u> |
| Cash Flows From Investing Activities | |
| Interest received on investments | (2,943) |
| Net Cash Provided (Used) by Investing Activities | <u>(2,943)</u> |
| NET INCREASE (DECREASE) IN CASH | 223,549 |
| CASH AT BEGINNING OF YEAR | <u>1,065,268</u> |
| CASH AT END OF YEAR | <u><u>\$ 1,288,817</u></u> |
| Reconciliation of Net Income (Loss) to Net | |
| Cash Provided (Used) by Operating Activities | |
| Operating income | \$ 933,198 |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities | |
| Depreciation and amortization | 757,821 |
| (Increase) decrease in accounts receivable | (110,922) |
| (Increase) decrease in inventories | (37,604) |
| (Increase) decrease in interfund receivables | (3,505) |
| Increase (decrease) in accounts payable | 320,560 |
| Increase (decrease) in salaries and benefits payable | (7,167) |
| Increase (decrease) in annual leave | 4,613 |
| Increase (decrease) in deferred revenues | (4,587) |
| Increase (decrease) in customer deposits | 4,757 |
| Total adjustments | <u>923,966</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 1,857,164</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, 2016**

| | Post Retirement Fund | Agency Fund |
|--|-------------------------------------|------------------------|
| | <hr/> | <hr/> |
| ASSETS | | |
| Cash | \$ 1,416,105 | \$ 45,586 |
| Total Assets | <u>\$ 1,416,105</u> | <u>\$ 45,586</u> |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Liabilities | | |
| Due to Others | \$ - | \$ 45,586 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 45,586</u> |
| | <hr/> | <hr/> |
| Net Position | | |
| Held in trust for employee health benefits | \$ 1,416,105 | |
| Total Net Position | <u>\$ 1,416,105</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, 2016**

| | Post Retirement Fund |
|---------------------------------|-------------------------------------|
| Additions | |
| Employer Contributions | \$ 243,735 |
| Investment Income (Loss) | 87,967 |
| Total Additons | <u>331,702</u> |
| Deductions | |
| Administrative Expense | <u>14,494</u> |
| Total Deductions | <u>14,494</u> |
| Change in Net Position | 317,208 |
| Net Position, Beginning of Year | <u>1,098,897</u> |
| Net Position, End of Year | <u><u>\$ 1,416,105</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, 2016

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, 2016

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 and sewer operations. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fund types.

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

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

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

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents and deposits

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

Investments

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

Inventories and Prepaid items

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

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

Capital assets

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

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

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property taxes

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – three percent, February 1 – an additional seven percent, March 16 – an additional five percent. If not paid by October 1, the property is subject to sale by the delinquent tax office. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The property tax rate approved by ordinance for fiscal year 2016 is 88 mills.

Compensated absences

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 purchase of a building for \$430,000 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, 2016

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, 2016, the bank balances were \$5,929,276. 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, 2016.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

| Receivables | General | Capital Project Funds | Other Governmental Funds | Water and Sewer Fund | Total | Component Units |
|--------------------------------------|---------------------|-----------------------------|--------------------------------|-------------------------|---------------------|--------------------|
| Taxes | \$ 719,557 | \$ - | \$ 146,177 | \$ - | \$ 865,734 | \$ - |
| Fines and Fees | 41,197 | - | 2,909 | - | 44,106 | - |
| Intergovernmental | 29,112 | - | - | - | 29,112 | - |
| Accounts | 307,000 | - | - | 825,985 | 1,132,985 | - |
| Other | 560,305 | 199,037 | 10,749 | 58,396 | 828,487 | 30,334 |
| Gross receivables | 1,657,171 | 199,037 | 159,835 | 884,381 | 2,900,424 | 30,334 |
| Allowance for uncollectible accounts | (270,424) | - | - | (105,529) | (375,953) | - |
| Net total receivables | <u>\$ 1,386,747</u> | <u>\$ 199,037</u> | <u>\$ 159,835</u> | <u>\$ 778,852</u> | <u>\$ 2,524,471</u> | <u>\$ 30,334</u> |

The net amount of delinquent taxes receivable at June 30, 2016 is \$124,897, of which \$112,877 is not expected to be collected within 60 days. Also, \$3,987 of housing notes receivable is not expected to be collected within the next year and grant drawdowns not spent in the proprietary fund are on hand.

Notes Receivable

The City has notes receivable from various individuals for \$5,986 for funds received from several community development block grants. The terms of the note call for monthly payments until the loans are paid off. The City has recorded \$1,999 as an allowance for bad debts as these loans are not always collectible in full. The deferred balance of \$3,987 is to be recognized as the payments are collected.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

| Governmental Activities | June 30, 2015 | Increases | Decreases | June 30, 2016 |
|---|----------------------|---------------------|------------------|----------------------|
| <i>Capital assets not being depreciated</i> | | | | |
| Land and improvements | \$ 1,257,063 | \$ - | \$ - | \$ 1,257,063 |
| Construction in progress | 771,102 | 1,594,319 | 38,921 | 2,326,500 |
| Total capital assets, not being depreciated | <u>2,028,165</u> | <u>1,594,319</u> | <u>38,921</u> | <u>3,583,563</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 4,024,085 | 442,090 | - | 4,466,175 |
| Machinery and equipment | 2,163,961 | 183,465 | - | 2,347,426 |
| Vehicles | 3,911,496 | 233,733 | 67,229 | 4,078,000 |
| Infrastructure | 3,056,823 | 38,921 | - | 3,095,744 |
| Total capital assets being depreciated | <u>13,156,365</u> | <u>898,209</u> | <u>67,229</u> | <u>13,987,345</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,346,619 | 99,377 | - | 1,445,996 |
| Machinery and equipment | 1,488,509 | 193,413 | - | 1,681,922 |
| Vehicles | 2,489,856 | 297,515 | 67,229 | 2,720,142 |
| Infrastructure | 287,357 | 116,188 | - | 403,545 |
| Total accumulated depreciation | <u>5,612,341</u> | <u>706,493</u> | <u>67,229</u> | <u>6,251,605</u> |
| Total capital assets being depreciated, net | <u>7,544,024</u> | <u>191,716</u> | <u>-</u> | <u>7,735,740</u> |
| Governmental activity capital assets, net | <u>\$ 9,572,189</u> | <u>\$ 1,786,035</u> | <u>\$ 38,921</u> | <u>\$ 11,319,303</u> |

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

| Governmental Activities | |
|--|-------------------|
| City Manager | \$ 8,002 |
| Finance | 12,167 |
| Fire | 40,644 |
| Mayor and Council | 497 |
| Parks, Recreation and Tourism | 145,901 |
| Planning and Codes | 3,608 |
| Police | 240,266 |
| Public Works | 159,028 |
| Sanitation | 96,380 |
| Total depreciation expense - governmental activities | <u>\$ 706,493</u> |

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS (CONTINUED)

| Business-Type | June 30, 2015 | Increases | Decreases | June 30, 2016 |
|---|----------------------|-------------------|------------------|----------------------|
| <i>Capital assets not being depreciated</i> | | | | |
| Land and improvements | \$ 44,773 | \$ - | \$ - | \$ 44,773 |
| Construction in progress | 189,988 | 1,033,819 | 56,252 | 1,167,555 |
| Total capital assets, not being depreciated | <u>234,761</u> | <u>1,033,819</u> | <u>56,252</u> | <u>1,212,328</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Water system and improvements | 15,871,208 | 32,000 | - | 15,903,208 |
| Sewer system and improvements | 15,647,371 | - | - | 15,647,371 |
| Buildings and improvements | 249,971 | - | - | 249,971 |
| Machinery and equipment | 697,740 | - | - | 697,740 |
| Vehicles | 275,011 | 166,908 | - | 441,919 |
| Total capital assets being depreciated | <u>32,741,301</u> | <u>198,908</u> | <u>-</u> | <u>32,940,209</u> |
| Less accumulated depreciation for: | | | | |
| Water system and improvements | 4,913,358 | 344,877 | - | 5,258,235 |
| Sewer system and improvements | 6,090,104 | 346,427 | - | 6,436,531 |
| Buildings and improvements | 191,380 | 15,969 | - | 207,349 |
| Machinery and equipment | 608,490 | 31,786 | - | 640,276 |
| Vehicles | 218,439 | 18,762 | - | 237,201 |
| Total accumulated depreciation | <u>12,021,771</u> | <u>757,821</u> | <u>-</u> | <u>12,779,592</u> |
| Total capital assets being depreciated, net | <u>20,719,530</u> | <u>(558,913)</u> | <u>-</u> | <u>20,160,617</u> |
| Business-type activity capital assets, net | <u>\$ 20,954,291</u> | <u>\$ 474,906</u> | <u>\$ 56,252</u> | <u>\$ 21,372,945</u> |

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

| Business-Type Activities | |
|---|-------------------|
| Water | \$ 394,481 |
| Sewer | 363,340 |
| Total depreciation expense - business-type activities | <u>\$ 757,821</u> |

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

| Transfer Out | Transfers In | | | Total |
|--------------------------|---------------------|---------------------------------|--------------------------|---------------------|
| | General Fund | Other Governmental Funds | Water & Sewer | |
| General Fund | \$ - | \$ 3,000 | \$ - | \$ 3,000 |
| Capital Projects | - | - | 673,085 | 673,085 |
| Water and Sewer Fund | 841,000 | - | - | 841,000 |
| Other Governmental Funds | 205,000 | - | - | 205,000 |
| Total transfers out | <u>\$ 1,046,000</u> | <u>\$ 3,000</u> | <u>\$ 673,085</u> | <u>\$ 1,722,085</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, 2016:

| Governmental Activities | June 30, 2015 | Increases | Decreases | June 30, 2016 | Due Within A Year |
|---------------------------------|----------------------|--------------------|--------------------|----------------------|--------------------------|
| Bonds Payable: | | | | | |
| General obligation | \$1,458,487 | \$ - | \$ 159,127 | \$ 1,299,360 | \$ 163,623 |
| Tax increment financing debt | 812,321 | - | 130,532 | 681,789 | 133,726 |
| Revenue bond | 725,626 | - | 116,601 | 609,025 | 119,454 |
| Total bonds | 2,996,434 | - | 406,260 | 2,590,174 | 416,803 |
| Capital lease | 403,417 | - | 110,537 | 292,880 | 114,205 |
| Net Pension Liability | 5,176,235 | 2,225,878 | 436,770 | 6,965,343 | - |
| Compensated absences | 183,552 | 20,870 | 5,109 | 199,313 | 25,000 |
| Total | <u>\$8,759,638</u> | <u>\$2,246,748</u> | <u>\$ 958,676</u> | <u>\$ 10,047,710</u> | <u>\$ 556,008</u> |
| Business-Type Activities | June 30, 2015 | Increases | Decreases | June 30, 2016 | Due Within A Year |
| Bonds Payable: | | | | | |
| Revenue bonds | \$3,751,769 | \$ - | \$ 338,948 | \$ 3,412,821 | \$ 324,846 |
| Net Pension Liability | 992,533 | - | 992,533 | - | - |
| Compensated absences | 39,173 | 11,831 | 7,218 | 43,786 | 5,000 |
| Total | <u>\$4,783,475</u> | <u>\$ 11,831</u> | <u>\$1,338,699</u> | <u>\$ 3,456,607</u> | <u>\$ 329,846</u> |

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term debt payable at June 30, 2016 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:

| | |
|-------------------------------|--------------------------|
| Vehicles and radios | \$ 757,056 |
| Less accumulated depreciation | <u>(314,701)</u> |
| Net book value | <u><u>\$ 442,355</u></u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

| <u>Year Ending June 30,</u> | <u>Payment</u> |
|---|--------------------------|
| 2017 | \$ 118,542 |
| 2018 | 118,541 |
| 2019 | 42,691 |
| 2020 | <u>21,346</u> |
| Total | 301,120 |
| Less amount representing interest | <u>(8,240)</u> |
| Present value of minimum lease payments | <u><u>\$ 292,880</u></u> |

General Obligation Bonds

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

| <u>Balance</u> |
|----------------------------|
| <u><u>\$ 1,299,360</u></u> |

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|----------------------------|--------------------------|----------------------------|
| 2017 | \$ 163,623 | \$ 42,035 | \$ 205,658 |
| 2018 | 168,253 | 37,405 | 205,658 |
| 2019 | 173,122 | 32,636 | 205,758 |
| 2020 | 102,155 | 27,727 | 129,882 |
| 2021 | 105,720 | 24,162 | 129,882 |
| 2022-2026 | <u>586,487</u> | <u>62,923</u> | <u>649,410</u> |
| Total | <u><u>\$ 1,299,360</u></u> | <u><u>\$ 226,888</u></u> | <u><u>\$ 1,526,248</u></u> |

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

| | <u>Balance</u> |
|--|--------------------------|
| 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>\$ 681,789</u></u> |

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|--------------------------|-------------------------|--------------------------|
| 2017 | \$ 133,726 | \$ 16,680 | \$ 150,406 |
| 2018 | 137,300 | 13,106 | 150,406 |
| 2019 | 140,969 | 9,437 | 150,406 |
| 2020 | 144,735 | 5,670 | 150,405 |
| 2021 | 125,059 | 2,905 | 127,964 |
| Total | <u><u>\$ 681,789</u></u> | <u><u>\$ 47,798</u></u> | <u><u>\$ 729,587</u></u> |

| | <u>Balance</u> |
|--|--------------------------|
| 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>\$ 609,025</u></u> |

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|--------------------------|-------------------------|--------------------------|
| 2017 | \$ 119,454 | \$ 14,899 | \$ 134,353 |
| 2018 | 122,646 | 11,707 | 134,353 |
| 2019 | 125,924 | 8,430 | 134,354 |
| 2020 | 129,289 | 5,065 | 134,354 |
| 2021 | 111,712 | 2,598 | 114,310 |
| Total | <u><u>\$ 609,025</u></u> | <u><u>\$ 42,699</u></u> | <u><u>\$ 651,724</u></u> |

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

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

| | <u>Balance</u> |
|--|----------------------------|
| \$3,459,914 Sewer Line Rehabilitation Bond Series 2011B, due in quarterly payments of \$17,833 at 2.98% interest through April 2022. | \$ 1,144,507 |
| \$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% through December 2030. | <u>2,268,314</u> |
| | <u><u>\$ 3,412,821</u></u> |

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|----------------------------|--------------------------|----------------------------|
| 2017 | \$ 324,846 | \$ 71,985 | \$ 396,831 |
| 2018 | 331,657 | 64,174 | 395,831 |
| 2019 | 339,717 | 56,114 | 395,831 |
| 2020 | 348,032 | 47,799 | 395,831 |
| 2021 | 356,612 | 39,219 | 395,831 |
| 2022-2026 | 972,504 | 115,022 | 1,087,526 |
| 2027-2031 | 739,453 | 33,367 | 772,820 |
| Total | <u><u>\$ 3,412,821</u></u> | <u><u>\$ 427,680</u></u> | <u><u>\$ 3,840,501</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, 2016 amounted to \$199,313 and \$43,786, respectively, for the governmental activities and business-type activities and includes 17% for employee benefits.

Other Post Employment Benefits

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

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, the City contributed \$214,620 to the plan and is paid from the general fund.

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

| | |
|---------------------------------------|------------|
| Annual required contribution | \$ 271,301 |
| Less: Implicit Benefits | (9,700) |
| Annual OPEB cost (expense) | 261,601 |
| Health insurance premiums paid | (46,981) |
| Contributions made | (214,620) |
| decrease in net OPEB obligation | - |
| Net OPEB obligation-beginning of year | - |
| Net OPEB obligation-end of year | \$ - |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------------------|-----------------------------|---|------------------------------------|
| 2014 | \$ 244,510 | 100.0% | - |
| 2015 | 243,735 | 100.0% | - |
| 2016 | 214,620 | 100.0% | - |

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2016 was as follows. The actuarial accrued liability for benefits was \$3,387,136 and the actuarial value of assets was \$1,416,105, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,971,031. The covered payroll (annual payroll of active employees covered by the plan) was \$1,800,225, and the ratio of the UAAL to the covered payroll was 109.49 percent.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Post Employment Benefits (Continued)

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

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

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.1 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets is set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities value at 4.5 percent. The UAAL is being amortized on an open basis as a level percentage of projected payroll (assumed to increase at 4 percent) required to fully amortize the UAAL over a thirty year period.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Unit Credit Cost (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|--|---|--|-----------------------------------|------------------------------------|--|
| 6/30/2014 | \$ 836,583 | \$ 2,429,562 | \$ 1,592,979 | 34.43% | \$ 2,396,744 | 66.46% |
| 6/30/2015 | 1,098,897 | 2,478,614 | 1,379,717 | 44.34% | 2,396,744 | 57.57% |
| 6/30/2016 | 1,416,105 | 3,387,136 | 1,971,031 | 41.81% | 1,800,225 | 109.49% |

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 Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Description of the Entity (Continued)

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

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

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

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Membership (Continued)

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

Benefits

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Benefits (Continued)

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

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

Contributions

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

Required employee contribution rates¹ for fiscal year 2015-2016 are as follows:

| | <u>Fiscal Year 2016</u> | <u>Fiscal Year 2015</u> |
|----------------------|-------------------------|-------------------------|
| SCRS | | |
| Employee Class Two | 8.16% | 8.00% |
| Employee Class Three | 8.16% | 8.00% |
| PORS | | |
| Employee Class Two | 8.74% | 8.41% |
| Employee Class Three | 8.74% | 8.41% |

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

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Contributions (Continued)

Required employer contribution rates¹ for fiscal year 2015-2016 are as follows:

| | <u>Fiscal Year 2016</u> | <u>Fiscal Year 2015</u> |
|-----------------------------------|--------------------------------|--------------------------------|
| SCRS | | |
| Employer Class Two | 10.91% | 10.75% |
| Employer Class Three | 10.91% | 10.75% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| PORS | | |
| Employer Class Two | 13.34% | 13.01% |
| Employer Class Three | 13.34% | 13.01% |
| Employer Incidental Death Benefit | 0.20% | 0.20% |
| Employer Accidental Death Program | 0.20% | 0.20% |

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

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the evaluation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

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

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015, for SCRS and PORS are presented as follows:

| <u>System</u> | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Employers' Net Pension Liability</u> | <u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u> |
|---------------|--------------------------------|------------------------------------|---|--|
| SCRS | \$ 9,801,950 | \$ 5,586,303 | \$ 4,215,647 | 57.0% |
| PORS | 7,760,507 | 5,010,811 | 2,749,696 | 64.6% |

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, is based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes 4.75 percent real rate of return and a 2.75 percent inflation component.

| Asset class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|---|--------------------------------|--|---|
| Short Term | 5.0% | | |
| Cash | 2.0% | 1.90% | 0.04% |
| Short Duration | 3.0% | 2.00% | 0.06% |
| Domestic Fixed Income | 13.0% | | |
| Core Fixed Income | 7.0% | 2.70% | 0.19% |
| Mixed Credit | 6.0% | 3.80% | 0.23% |
| Global Fixed Income | 9.0% | | |
| Global Fixed Income | 3.0% | 2.80% | 0.08% |
| Emerging Markets Debt | 6.0% | 5.10% | 0.31% |
| Global Public Equity | 31.0% | 7.10% | 2.20% |
| Global Tactical Asset Allocation | 10.0% | 4.90% | 0.49% |
| Alternatives | 32.0% | | |
| Hedge Funds (Low Beta) | 8.0% | 4.30% | 0.34% |
| Private Debt | 7.0% | 9.90% | 0.69% |
| Private Equity | 9.0% | 9.90% | 0.89% |
| Real Estate (Broad Market) | 5.0% | 6.00% | 0.30% |
| Commodities | 3.0% | 5.90% | 0.18% |
| Total Expected Real Return | 100.0% | | 6.00% |
| Inflation for Actuarial Purposes | | | 2.75% |
| Total Expected Nominal Return | | | 8.75% |

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Sensitivity Analysis

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

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | | |
|---|--------------------------------|--|--------------------------------|
| System | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
| SCRS | \$ 5,314,727 | \$ 4,215,647 | \$ 3,294,479 |
| PORS | 3,745,669 | 2,749,696 | 1,859,268 |

Pension Expense

Components of the collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2015, are presented below:

| Description | SCRS | PORS |
|--|-------------------|-------------------|
| Service cost (annual cost of current service) | \$ 165,420 | \$ 194,415 |
| Interest on the total pension liability | 699,757 | 549,210 |
| Changes in plan benefits | - | - |
| Plan administrative costs | 2,791 | 2,445 |
| Plan member contributions | (159,176) | (134,807) |
| Expected return on plan assets | (420,911) | (373,665) |
| Recognition of current year amortization - Difference between expected and actual experience | 31,159 | 18,496 |
| Recognition of current year amortization - Difference between projected and actual investment earnings | (13,110) | (9,945) |
| Other | 295 | (1,338) |
| Total | \$ 306,225 | \$ 244,811 |

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-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, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

The following schedule reflects the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2015.

| Difference between expected and actual experience | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | SCRS | | PORS | |
| | June 30, 2014 | June 30, 2015 | June 30, 2014 | June 30, 2015 |
| Initial Balance | \$ 144,688 | \$ (9,923) | \$ 76,244 | \$ 8,542 |
| Amortization period¹ | 4.233 | 4.164 | 4.856 | 4.796 |
| Amortized² period ending June 30, | | | | |
| 2014 | \$ (34,181) | - | \$ (15,701) | - |
| 2015 | (34,181) | \$ 2,383 | (15,701) | \$ (1,781) |
| 2016 | (34,181) | 2,383 | (15,701) | (1,781) |
| 2017 | (34,181) | 2,383 | (15,701) | (1,781) |
| 2018 | (7,964) | 2,383 | (13,440) | (1,781) |
| 2019 | - | 391 | - | (1,418) |
| 2020 | - | - | - | - |
| Thereafter | - | - | - | - |

| Difference between projected and actual investment earnings | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | SCRS | | PORS | |
| | June 30, 2014 | June 30, 2015 | June 30, 2014 | June 30, 2015 |
| Initial Balance | \$ (410,990) | \$ 337,745 | \$ 328,145 | \$ 299,600 |
| Amortization period³ | 5 | 5 | 5 | 5 |
| Amortized² period ending June 30, | | | | |
| 2014 | \$ 82,198 | - | \$ 65,629 | - |
| 2015 | 82,198 | \$ (67,549) | 65,629 | \$ 59,920 |
| 2016 | 82,198 | (67,549) | 65,629 | 59,920 |
| 2017 | 82,198 | (67,549) | 65,629 | 59,920 |
| 2018 | 82,198 | (67,549) | 65,629 | 59,920 |
| 2019 | - | (67,549) | - | 59,920 |
| 2020 | - | - | - | - |
| Thereafter | - | - | - | - |

¹In 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.

²Amount amortized and included in pension expense during the measurement period listed.

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

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

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Employer Contributions

Employers' proportionate shares were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2015. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions toward the purchase of employee service purchases and employer contributions paid by employees.

Financial and Actuarial Information

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

| | <u>SCRS</u> | <u>PORS</u> |
|--|-------------------|-------------------|
| Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2015 | \$ 227,064 | \$ 210,264 |
| Deduct: Employer Contributions Not Representative of Future Contribution Effort | <u>(105)</u> | <u>(403)</u> |
| Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2015 Measurement Date | <u>\$ 226,959</u> | <u>\$ 209,861</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, 2015, and the accounting and financial reporting actuarial valuation as of June 30, 2015. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

401(K) Plan

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

NOTE 9 – RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – NET POSITION

| | Governmental Activities | Business-type Activities |
|---|------------------------------------|-------------------------------------|
| <u>Net Investment in Capital Assets</u> | | |
| Capital assets | \$ 11,319,303 | \$ 21,372,945 |
| Long-term debt | (10,047,710) | (3,456,607) |
| Add: Compensated absences included above | 199,313 | 43,786 |
| Net Pension Liability | 6,965,343 | - |
| Debt on VA facility not owned by the City | 609,025 | - |
| Net Investment in Capital Assets | <u>\$ 9,045,274</u> | <u>\$ 17,960,124</u> |

NOTE 11 – FUND BALANCE AND NET POSITION CLASSIFICATIONS

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

| <u>Governmental Funds</u> | |
|--|-------------------|
| <u>Committed</u> | |
| Funds committed by local ordinance for tourism related expenditures: | |
| Accommodations Tax | \$ 294,563 |
| Hospitality Tax | 387,666 |
| Total Committed Fund Balance | <u>\$ 682,229</u> |
| <u>Restricted</u> | |
| State accommodations tax restricted by the state for tourism | \$ 54,945 |
| 1% Funds restricted for firemen | 12,941 |
| Unspent grant funds restricted by the grant | 3,581 |
| Housing project funds restricted for low income housing projects | 14,891 |
| Victims witness funds restricted to expenditures to assist victims | 13,323 |
| Total Restricted Fund Balance | <u>\$ 99,681</u> |
| <u>Proprietary Fund</u> | |
| <u>Restricted</u> | |
| Funds restricted by bond ordinance for a debt service reserve | \$ 214,926 |
| Total Restricted Net Position | <u>\$ 214,926</u> |

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2016, the date the financial statements were issued, and determined that the following significant events has occurred:

The Council has approved a bond in the amount of \$1.5 million from the State Revolving Fund for waste water treatment plant upgrades. Funding is expected to come from the proprietary fund balance.

The Council has received a CDBG Grant in the amount of \$599,000 for upgrades to the Booster Pump. Funds will be disbursed to Colleton County and they in turn will disburse to the County.

NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

In accordance with generally accepted accounting principles for fiscal year 2016, the City of Walterboro made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which require the restatement of the June 30, 2015 net position in Governmental and Business-Type Activities. The result in net position as of July 1, 2015 is a decrease of \$989,744 in Governmental Activities and an increase of \$989,744 in Business-Type Activities.

| Governmental Activities | |
|--|----------------------|
| Net Position June 30, 2015, as previously reported | \$ 9,369,572 |
| Pension Liability, Net | (989,744) |
| Net Position July 1, 2015, as restated | <u>\$ 8,379,828</u> |
| Business-Type Activities | |
| Net Position June 30, 2015, as previously reported | \$ 17,711,935 |
| Pension Liability, Net | 989,744 |
| Net Position July 1, 2015, as restated | <u>\$ 18,701,679</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | | | |
|---------------------------------------|----------------------------|-------------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Taxes | \$ 2,900,000 | \$ 2,900,000 | \$ 3,181,793 | \$ 281,793 |
| Fines, Fees and Licenses | 2,861,500 | 2,861,500 | 2,952,748 | 91,248 |
| Intergovernmental | 116,000 | 116,000 | 118,159 | 2,159 |
| Miscellaneous | 41,200 | 41,200 | 153,319 | 112,119 |
| Total Revenues | <u>5,918,700</u> | <u>5,918,700</u> | <u>6,406,019</u> | <u>487,319</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Mayor and Council | 172,697 | 172,697 | 213,872 | (41,175) |
| Police | 2,364,710 | 2,364,710 | 2,334,371 | 30,339 |
| Fire | 1,090,438 | 1,090,438 | 1,103,012 | (12,574) |
| Parks | 412,498 | 412,498 | 409,639 | 2,859 |
| Tourism Development | 134,437 | 134,437 | 157,823 | (23,386) |
| Finance | 396,694 | 396,694 | 403,630 | (6,936) |
| City Manager | 216,838 | 216,838 | 226,345 | (9,507) |
| Public Works | 870,639 | 870,639 | 828,990 | 41,649 |
| Codes Enforcement | 255,631 | 255,631 | 261,735 | (6,104) |
| Judicial | 178,526 | 178,526 | 176,790 | 1,736 |
| Sanitation | 391,442 | 391,442 | 400,243 | (8,801) |
| Administration | 301,250 | 301,250 | 272,486 | 28,764 |
| Capital Outlay | | | | |
| Finance | - | 430,000 | 430,724 | (724) |
| Police | 125,400 | 125,400 | 199,620 | (74,220) |
| Fire | - | - | 23,836 | (23,836) |
| Parks | 31,000 | 31,000 | 68,187 | (37,187) |
| Sanitation | - | - | 16,065 | (16,065) |
| Public Works | 123,000 | 123,000 | 120,856 | 2,144 |
| Debt Service | | | | |
| Principal | 269,663 | 269,663 | 269,663 | - |
| Interest | 53,685 | 53,685 | 53,685 | - |
| Total Expenditures | <u>7,388,548</u> | <u>7,818,548</u> | <u>7,971,572</u> | <u>(153,024)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 1,311,109 | 1,311,109 | 1,046,000 | (265,109) |
| Transfers Out | (3,000) | (3,000) | (3,000) | - |
| Total Other Financing Sources (Uses) | <u>1,308,109</u> | <u>1,308,109</u> | <u>1,043,000</u> | <u>(265,109)</u> |
| Net Change in Fund Balances | (161,739) | (591,739) | (522,553) | 69,186 |
| Fund Balances, Beginning | 4,492,851 | 4,492,851 | 4,492,851 | - |
| Fund Balances, Ending | <u>\$ 4,331,112</u> | <u>\$ 3,901,112</u> | <u>\$ 3,970,298</u> | <u>\$ 69,186</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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Proportion of the Net Pension Liability (Asset) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.022652% | 0.022228% |
| Proportionate Share of the Net Pension Liability (Asset) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 3,899,923 | \$ 4,215,647 |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 2,082,192 | \$ 2,264,917 |
| Proportionate Share of the New Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 187.30% | 186.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 59.90% | 57.00% |

POLICE OFFICER RETIREMENT SYSTEMS (PORS)

Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Proportion of the Net Pension Liability (Asset) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.11851% | 0.12616% |
| Proportionate Share of the Net Pension Liability (Asset) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 2,268,845 | \$ 2,749,696 |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 1,564,963 | \$ 1,894,530 |
| Proportionate Share of the New Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 144.98% | 145.14% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 67.50% | 64.60% |

N/A - Not Available

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

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Contractually Required Contribution | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 226,959 | \$ 250,501 |
| Contributions in Relation to the Contractually Required Contribution | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 226,959 | \$ 250,501 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 2,082,192 | \$ 2,264,917 |
| Contributions as a Percentage of Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 10.90% | 11.06% |

POLICE OFFICER RETIREMENT SYSTEMS (PORS)

Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Contractually Required Contribution | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 209,861 | \$ 260,309 |
| Contributions in Relation to the Contractually Required Contribution | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 209,861 | \$ 260,309 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 1,564,963 | \$ 1,894,530 |
| Contributions as a Percentage of Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 13.41% | 13.74% |

N/A - Not Available

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULES OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|-----------------------------|-------------------------------------|-----------------------------------|---------------------------------|-----------------------|------------------------|--|
| Primary Government | | | | | | |
| 6/30/2016 | \$ 1,416,105 | \$ 3,387,136 | \$ 1,971,031 | 41.81% | \$ 1,800,225 | 109.49% |
| 6/30/2015 | 1,098,897 | 2,478,614 | 1,379,717 | 44.34% | 2,396,744 | 57.57% |
| 6/30/2014 | 836,583 | 2,429,562 | 1,592,979 | 34.43% | 2,396,744 | 66.46% |
| 6/30/2013 | 615,349 | 2,429,562 | 1,814,213 | 25.33% | 2,488,151 | 72.91% |
| 6/30/2012 | 424,950 | 2,429,562 | 2,004,612 | 17.49% | 2,622,778 | 76.43% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ended June 30 | Annual Required Contribution | Actual Contribution | Net OPEB Liability | Percent Contributed |
|---------------------------------|------------------------------------|------------------------|-----------------------|------------------------|
| Primary Government | | | | |
| 2016 | \$ 214,620 | \$ 214,620 | \$ - | 100.00% |
| 2015 | 243,735 | 243,735 | - | 100.00% |
| 2014 | 244,510 | 244,510 | - | 100.00% |
| 2013 | 212,562 | 212,562 | - | 100.00% |
| 2012 | 243,560 | 243,560 | - | 100.00% |

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, 2016**

| | Housing Project Fund | Police Fund | Firemens Fund | State Accom Tax Fund | Local Accom Tax Fund | Local Hospitality Tax Fund | Total Nonmajor Governmental Funds |
|--|-------------------------------------|------------------------|--------------------------|-------------------------------------|-------------------------------------|---|--|
| ASSETS | | | | | | | |
| Cash | \$ 5,903 | \$ 10,467 | \$ 12,974 | \$ 305 | \$ 276,914 | \$ 350,123 | \$ 656,686 |
| Receivables | 10,749 | 2,909 | - | 89,446 | 19,188 | 37,543 | 159,835 |
| Notes Receivable | 3,987 | - | - | - | - | - | 3,987 |
| Total Assets | <u>\$ 20,639</u> | <u>\$ 13,376</u> | <u>\$ 12,974</u> | <u>\$ 89,751</u> | <u>\$ 296,102</u> | <u>\$ 387,666</u> | <u>\$ 820,508</u> |
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| Accounts Payable | \$ 1,761 | \$ 53 | \$ 33 | \$ 34,806 | \$ 1,539 | \$ - | \$ 38,192 |
| Total Liabilities | <u>1,761</u> | <u>53</u> | <u>33</u> | <u>34,806</u> | <u>1,539</u> | <u>-</u> | <u>38,192</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenues-revolving loans | 3,987 | - | - | - | - | - | 3,987 |
| Total Deferred Inflows of Resources | <u>3,987</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,987</u> |
| FUND BALANCES | | | | | | | |
| Restricted | 14,891 | 13,323 | 12,941 | 54,945 | - | - | 96,100 |
| Committed | - | - | - | - | 294,563 | 387,666 | 682,229 |
| Total Fund Balances | <u>14,891</u> | <u>13,323</u> | <u>12,941</u> | <u>54,945</u> | <u>294,563</u> | <u>387,666</u> | <u>778,329</u> |
| Total Liabilities, Deferred Inflows of Resources, & Fund Balances | <u>\$ 20,639</u> | <u>\$ 13,376</u> | <u>\$ 12,974</u> | <u>\$ 89,751</u> | <u>\$ 296,102</u> | <u>\$ 387,666</u> | <u>\$ 820,508</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, 2016

| | Housing Project Fund | Police Fund | Firemens Fund | State Accom Tax Fund | Local Accom Tax Fund | Local Hospitality Tax Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|----------------------------|------------------|------------------|----------------------------|----------------------------|-------------------------------------|--|
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 262,646 | \$ 223,348 | \$ 437,167 | \$ 923,161 |
| Miscellaneous | 325 | 34,531 | 28,012 | 25 | 220 | 377 | 63,490 |
| Total Revenues | <u>325</u> | <u>34,531</u> | <u>28,012</u> | <u>262,671</u> | <u>223,568</u> | <u>437,544</u> | <u>986,651</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| Housing Project | 62 | - | - | - | - | - | 62 |
| Public Works | - | - | - | 1,029 | - | - | 1,029 |
| Police | - | 6,551 | - | - | - | - | 6,551 |
| Fire | - | - | 27,259 | - | - | - | 27,259 |
| Tourism Development | - | - | - | 258,140 | 18,820 | - | 276,960 |
| Capital | | | | | | | |
| Public Works | 14,189 | - | - | - | - | - | 14,189 |
| Debt Service | | | | | | | |
| Principal | - | - | - | - | - | 247,134 | 247,134 |
| Interest | - | - | - | - | - | 37,625 | 37,625 |
| Total Expenditures | <u>14,251</u> | <u>6,551</u> | <u>27,259</u> | <u>259,169</u> | <u>18,820</u> | <u>284,759</u> | <u>610,809</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers In | - | 3,000 | - | - | - | - | 3,000 |
| Transfers Out | - | (25,000) | - | - | (90,000) | (90,000) | (205,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(22,000)</u> | <u>-</u> | <u>-</u> | <u>(90,000)</u> | <u>(90,000)</u> | <u>(202,000)</u> |
| Net Change in Fund Balances | (13,926) | 5,980 | 753 | 3,502 | 114,748 | 62,785 | 173,842 |
| Fund Balances, Beginning | 28,817 | 7,343 | 12,188 | 51,443 | 179,815 | 324,881 | 604,487 |
| Fund Balances, Ending | <u>\$ 14,891</u> | <u>\$ 13,323</u> | <u>\$ 12,941</u> | <u>\$ 54,945</u> | <u>\$ 294,563</u> | <u>\$ 387,666</u> | <u>\$ 778,329</u> |

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

PROPRIETARY FUND

Enterprise Fund

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

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, 2016

| | Water and Sewer | | | |
|---|----------------------------|-------------------------|----------------------|---|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| OPERATING REVENUES | | | | |
| Charges for Services | | | | |
| Water Sales | \$ 2,210,527 | \$ 2,210,527 | \$ 2,298,824 | \$ 88,297 |
| Sewer Charges | 1,305,611 | 1,305,611 | 1,347,548 | 41,937 |
| Total Operating Revenues | <u>3,516,138</u> | <u>3,516,138</u> | <u>3,646,372</u> | <u>130,234</u> |
| OPERATING EXPENSES | | | | |
| Costs of Sales and Services | | | | |
| Water | 791,115 | 791,115 | 785,486 | 5,629 |
| Sewer | 728,917 | 728,917 | 733,992 | (5,075) |
| Sewer Support | 355,197 | 355,197 | 321,292 | 33,905 |
| Utility Support | 116,164 | 116,164 | 114,583 | 1,581 |
| Depreciation | - | - | 757,821 | (757,821) |
| Total Operating Expenses | <u>1,991,393</u> | <u>1,991,393</u> | <u>2,713,174</u> | <u>(721,781)</u> |
| Operating Income | <u>1,524,745</u> | <u>1,524,745</u> | <u>933,198</u> | <u>(591,547)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | 1,600 | 1,600 | 1,232 | (368) |
| Grant Revenue | - | - | 132,428 | 132,428 |
| Interest Expense | (420,235) | (420,235) | (79,112) | 341,123 |
| Bank Charges | - | - | (4,175) | (4,175) |
| Total Nonoperating Revenues (Expenses) | <u>(418,635)</u> | <u>(418,635)</u> | <u>50,373</u> | <u>469,008</u> |
| Income Before Contributions and Transfers | 1,106,110 | 1,106,110 | 983,571 | (122,539) |
| Transfers In | - | - | 673,085 | 673,085 |
| Transfers Out | <u>(1,106,110)</u> | <u>(1,106,110)</u> | <u>(841,000)</u> | <u>265,110</u> |
| Change in Net Position | - | - | 815,656 | 815,656 |
| Net Position, Beginning | 17,711,935 | 17,711,935 | 17,711,935 | - |
| Prior Period Adjustments-see note 13 | - | - | 989,744 | 989,744 |
| Net Position, Ending | <u>\$ 17,711,935</u> | <u>\$ 17,711,935</u> | <u>\$ 19,517,335</u> | <u>\$ 1,805,400</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, 2016**

| | Business-type Activities | | | Total |
|---------------------------------------|-----------------------------|---------------------|---------------------------------|----------------------|
| | Walterboro Water & Sewer | Ruffin Water | Hendersonville Water & Sewer | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash | \$ 685,961 | \$ 335,136 | \$ 52,794 | \$ 1,073,891 |
| Receivables | 754,849 | 11,052 | 12,951 | 778,852 |
| Inventories | 249,531 | - | - | 249,531 |
| Total Current Assets | <u>1,690,341</u> | <u>346,188</u> | <u>65,745</u> | <u>2,102,274</u> |
| Noncurrent Assets | | | | |
| Restricted Cash | 214,926 | - | - | 214,926 |
| Due From Other Funds | 3,505 | - | - | 3,505 |
| Capital Assets, not being depreciated | 1,212,328 | - | - | 1,212,328 |
| Capital Assets, being depreciated | 18,579,818 | 1,061,457 | 519,342 | 20,160,617 |
| Total Noncurrent Assets | <u>20,010,577</u> | <u>1,061,457</u> | <u>519,342</u> | <u>21,591,376</u> |
| Total Assets | <u>\$ 21,700,918</u> | <u>\$ 1,407,645</u> | <u>\$ 585,087</u> | <u>\$ 23,693,650</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 378,324 | \$ - | \$ - | \$ 378,324 |
| Salaries and Benefits Payable | 20,289 | - | - | 20,289 |
| Interest Payable | 5,999 | - | - | 5,999 |
| Compensated Absences - current | 5,000 | - | - | 5,000 |
| Revenue Bonds Payable - current | 324,846 | - | - | 324,846 |
| Customer Deposits | 271,598 | - | - | 271,598 |
| Deferred Revenues | 43,498 | - | - | 43,498 |
| Total Current Liabilities | <u>1,049,554</u> | <u>-</u> | <u>-</u> | <u>1,049,554</u> |
| Noncurrent Liabilities | | | | |
| Revenue Bonds Payable | 3,087,975 | - | - | 3,087,975 |
| Compensated Absences | 38,786 | - | - | 38,786 |
| Total Noncurrent Liabilities | <u>3,126,761</u> | <u>-</u> | <u>-</u> | <u>3,126,761</u> |
| Total Liabilities | <u>4,176,315</u> | <u>-</u> | <u>-</u> | <u>4,176,315</u> |
| NET POSITION | | | | |
| Unrestricted | 930,352 | 346,188 | 65,745 | 1,342,285 |
| Restricted | 214,926 | - | - | 214,926 |
| Net Investment in Capital Assets | 16,379,325 | 1,061,457 | 519,342 | 17,960,124 |
| Total Net Position | <u>17,524,603</u> | <u>1,407,645</u> | <u>585,087</u> | <u>19,517,335</u> |
| Total Liabilities and Net Position | <u>\$ 21,700,918</u> | <u>\$ 1,407,645</u> | <u>\$ 585,087</u> | <u>\$ 23,693,650</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, 2016**

| | Business-type Activities | | | Total |
|---|-----------------------------|---------------------|---------------------------------|----------------------|
| | Walterboro Water & Sewer | Ruffin Water | Hendersonville Water & Sewer | |
| OPERATING REVENUES | | | | |
| Charges for Services | | | | |
| Water Sales | \$ 2,234,660 | \$ 56,476 | \$ 7,688 | \$ 2,298,824 |
| Sewer Charges | 1,342,324 | - | 5,224 | 1,347,548 |
| Total Operating Revenues | <u>3,576,984</u> | <u>56,476</u> | <u>12,912</u> | <u>3,646,372</u> |
| OPERATING EXPENSES | | | | |
| Costs of Sales and Services | | | | |
| Water | 770,539 | 12,166 | 2,781 | 785,486 |
| Sewer | 733,992 | - | - | 733,992 |
| Sewer Support | 321,292 | - | - | 321,292 |
| Utility Support | 112,402 | 1,775 | 406 | 114,583 |
| Depreciation | 715,749 | 28,026 | 14,046 | 757,821 |
| Total Operating Expenses | <u>2,653,974</u> | <u>41,967</u> | <u>17,233</u> | <u>2,713,174</u> |
| Operating Income | <u>923,010</u> | <u>14,509</u> | <u>(4,321)</u> | <u>933,198</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | 1,232 | - | - | 1,232 |
| Grant Revenue | 132,428 | - | - | 132,428 |
| Interest Expense | (79,112) | - | - | (79,112) |
| Bank Charges | (4,175) | - | - | (4,175) |
| Total Nonoperating Revenues (Expenses) | <u>50,373</u> | <u>-</u> | <u>-</u> | <u>50,373</u> |
| Income Before Contributions and Transfers | 973,383 | 14,509 | (4,321) | 983,571 |
| Transfers In | 673,085 | - | - | 673,085 |
| Transfers Out | <u>(841,000)</u> | <u>-</u> | <u>-</u> | <u>(841,000)</u> |
| Change in Net Position | 805,468 | 14,509 | (4,321) | 815,656 |
| Net Position, Beginning | 15,729,550 | 1,393,006 | 589,379 | 17,711,935 |
| Prior Period Adjustment-see note 13 | 989,744 | - | - | 989,744 |
| Net Position, Ending | <u>\$ 17,524,762</u> | <u>\$ 1,407,515</u> | <u>\$ 585,058</u> | <u>\$ 19,517,335</u> |

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

FIDUCIARY FUNDS

Agency Funds

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

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

- Municipal Court Fund Accounts for fines collected and disbursed.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2016**

| | <u>Municipal Court</u> | <u>Total</u> |
|--------------------|----------------------------|------------------|
| ASSETS | | |
| Cash | \$ 45,586 | \$ 45,586 |
| Total Assets | <u>\$ 45,586</u> | <u>\$ 45,586</u> |
| LIABILITIES | | |
| Due to Others | \$ 45,586 | \$ 45,586 |
| Total Liabilities | <u>\$ 45,586</u> | <u>\$ 45,586</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, 2016

| | <u>Balance</u> <u>June 30, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|-------------------------------|--|-------------------|-------------------|--|
| Municipal Court | | | | |
| Assets | | | | |
| Cash | \$ 25,588 | \$ 491,507 | \$ 471,509 | \$ 45,586 |
| Total Assets | <u>\$ 25,588</u> | <u>\$ 491,507</u> | <u>\$ 471,509</u> | <u>\$ 45,586</u> |
| Liabilities | | | | |
| Due to Others | \$ 25,588 | \$ 491,507 | \$ 471,509 | \$ 45,586 |
| Total Liabilities | <u>\$ 25,588</u> | <u>\$ 491,507</u> | <u>\$ 471,509</u> | <u>\$ 45,586</u> |
| Total All Agency Funds | | | | |
| Assets | | | | |
| Cash | \$ 25,588 | \$ 491,507 | \$ 471,509 | \$ 45,586 |
| Total Assets | <u>\$ 25,588</u> | <u>\$ 491,507</u> | <u>\$ 471,509</u> | <u>\$ 45,586</u> |
| Liabilities | | | | |
| Due to Others | \$ 25,588 | \$ 491,507 | \$ 471,509 | \$ 45,586 |
| Total Liabilities | <u>\$ 25,588</u> | <u>\$ 491,507</u> | <u>\$ 471,509</u> | <u>\$ 45,586</u> |

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

COMPONENT UNITS

Major Component Units

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

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

**CITY OF WALTERBORO, SOUTH CAROLINA
BALANCE SHEET
COMPONENT UNITS - WALTERBORO TOURISM COMMISSION
JUNE 30, 2016**

| | <u>General</u> | <u>Total</u> |
|-------------------------------------|------------------|------------------|
| ASSETS | | |
| Cash | \$ 219 | \$ 219 |
| Receivables | 30,334 | 30,334 |
| Total Assets | <u>\$ 30,553</u> | <u>\$ 30,553</u> |
| LIABILITIES | | |
| Accounts Payable | \$ 16,000 | \$ 16,000 |
| Total Liabilities | <u>16,000</u> | <u>16,000</u> |
| FUND BALANCES | | |
| Restricted | 14,553 | 14,553 |
| Total Fund Balances | <u>14,553</u> | <u>14,553</u> |
| Total Liabilities and Fund Balances | <u>\$ 30,553</u> | <u>\$ 30,553</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, 2016

| | <u>General</u> | <u>Total</u> |
|-----------------------------|-------------------------|-------------------------|
| REVENUES | | |
| Taxes | \$ 128,294 | \$ 128,294 |
| Miscellaneous | 41,184 | 41,184 |
| Total Revenues | <u>169,478</u> | <u>169,478</u> |
| EXPENDITURES | | |
| Current | | |
| Tourism Commission | <u>206,547</u> | <u>206,547</u> |
| Total Expenditures | <u>206,547</u> | <u>206,547</u> |
| Net Change in Fund Balances | (37,069) | (37,069) |
| Fund Balances, Beginning | <u>51,622</u> | <u>51,622</u> |
| Fund Balances, Ending | <u><u>\$ 14,553</u></u> | <u><u>\$ 14,553</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, 2016**

| | <u>General</u> | <u>Total</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 132,462 | \$ 132,462 |
| Total Assets | <u>\$ 132,462</u> | <u>\$ 132,462</u> |
| FUND BALANCES | | |
| Unassigned | \$ 82,692 | \$ 82,692 |
| Restricted | 49,770 | 49,770 |
| Total Fund Balances | <u>132,462</u> | <u>132,462</u> |
| Total Liabilities and Fund Balances | <u>\$ 132,462</u> | <u>\$ 132,462</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, 2016

| | <u>General</u> | <u>Total</u> |
|-----------------------------|--------------------------|--------------------------|
| REVENUES | | |
| Miscellaneous | \$ 5,164 | \$ 5,164 |
| Total Revenues | <u>5,164</u> | <u>5,164</u> |
| EXPENDITURES | | |
| Current | | |
| Public Works | <u>10,814</u> | <u>10,814</u> |
| Total Expenditures | <u>10,814</u> | <u>10,814</u> |
| Net Change in Fund Balances | (5,650) | (5,650) |
| Fund Balances, Beginning | <u>138,112</u> | <u>138,112</u> |
| Fund Balances, Ending | <u><u>\$ 132,462</u></u> | <u><u>\$ 132,462</u></u> |

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

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
FOR YEAR ENDED JUNE 30, 2016**

Court Fines:

| | |
|---|----------------|
| Court Fines Collected | \$ 174,626 |
| Court Fines Retained by City | <u>174,626</u> |
| Court Fines Remitted to the State Treasurer | <u>-</u> |

Court Assessments:

| | |
|---|----------------|
| Court Assessments Collected | <u>160,711</u> |
| Court Assessments Remitted to State Treasurer | <u>160,711</u> |

Court Surcharges:

| | |
|--|---------------|
| Court Surcharges Collected | 70,835 |
| Court Surcharges Remitted to State Treasurer | <u>70,835</u> |

Victims Assistance:

| | |
|--|----------------------|
| Court Assessments Allocated to Victim Assistance | 20,193 |
| Court Surcharges Allocated to Victims Assistance | <u>8,761</u> |
| Total Funds Allocated to Victim Assistance | 28,954 |
| Interest income | 12 |
| Victim Services expenditures | (27,643) |
| Outstanding: | |
| June 2015 deposits for victims assistance | 1,528 |
| June 2016 deposits for victims assistance | <u>(2,909)</u> |
| Cash Available for Carryforward | (58) |
| Beginning of Year, Cash | <u>312</u> |
| End of Year, Cash | <u><u>\$ 254</u></u> |

STATISTICAL SECTION

CITY OF WALTERBORO, SOUTH CAROLINA

STATISTICAL SECTION

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

| <u>Contents</u> | <u>Page</u> |
|---|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 80-84 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. | 85-90 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 91-93 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help comparisons over time and with other governments. | 94-95 |
| Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the district provides and the activities it performs. | 96-98 |

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

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

Schedule 1

| | FISCAL YEAR | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Unrestricted | \$ 3,075,301 | \$ 3,430,996 | \$ 3,535,149 | \$ 3,769,894 | \$ 2,047,147 | \$ 3,560,906 | \$ 4,277,937 | \$ 3,863,337 | \$ (1,143,143) | \$ (2,806,763) |
| Restricted | - | - | - | - | 3,030,465 | 832,985 | 432,882 | 529,392 | 614,751 | 781,910 |
| Net Investment in Capital Assets | 3,493,190 | 4,232,242 | 4,635,718 | 4,958,029 | 4,171,417 | 5,327,454 | 5,816,730 | 6,693,531 | 6,897,964 | 9,045,274 |
| Total Governmental Activities Net Position | <u>\$ 6,568,491</u> | <u>\$ 7,663,238</u> | <u>\$ 8,170,867</u> | <u>\$ 8,727,923</u> | <u>\$ 9,249,029</u> | <u>\$ 9,721,345</u> | <u>\$ 10,527,549</u> | <u>\$ 11,086,260</u> | <u>\$ 6,369,572</u> | <u>\$ 7,020,421</u> |
| BUSINESS TYPE ACTIVITIES | | | | | | | | | | |
| Unrestricted | \$ 3,602,257 | \$ 3,147,922 | \$ 2,393,260 | \$ 1,730,109 | \$ 1,884,528 | \$ 1,681,917 | \$ 1,215,029 | \$ 1,343,194 | \$ 292,491 | \$ 1,342,285 |
| Restricted | 294,133 | 297,517 | 291,459 | 474,821 | 553,776 | 220,855 | 218,746 | 216,919 | 216,921 | 214,926 |
| Net Investment in Capital Assets | 13,371,351 | 14,255,836 | 15,348,091 | 16,335,109 | 16,181,612 | 16,900,565 | 17,221,121 | 17,384,428 | 17,202,523 | 17,960,124 |
| Total Business-Type Activities Net Position | <u>\$ 17,267,741</u> | <u>\$ 17,701,275</u> | <u>\$ 18,032,810</u> | <u>\$ 18,540,039</u> | <u>\$ 18,619,916</u> | <u>\$ 18,803,337</u> | <u>\$ 18,654,896</u> | <u>\$ 18,944,541</u> | <u>\$ 17,711,935</u> | <u>\$ 19,517,335</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 | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Mayor/Council/Attorney/Judge | \$ 211,740 | \$ 246,884 | \$ 262,545 | \$ 270,136 | \$ 247,569 | \$ 281,454 | \$ 320,125 | \$ 286,003 | \$ 205,302 | \$ 214,369 |
| City Manager/City Clerk | 200,741 | 200,570 | 195,999 | 201,594 | 202,258 | 200,892 | 205,092 | 286,797 | 234,493 | 237,284 |
| Finance | 351,114 | 359,167 | 383,635 | 398,053 | 410,047 | 418,214 | 419,543 | 417,064 | 376,923 | 417,915 |
| Public Works | 1,060,001 | 1,116,447 | 1,277,972 | 1,172,210 | 1,225,700 | 1,593,970 | 1,554,416 | 1,407,087 | 1,032,399 | 990,559 |
| Planning/Code Enforcement | 105,685 | 148,449 | 219,028 | 267,388 | 245,236 | 256,418 | 247,971 | 259,744 | 266,386 | 261,833 |
| Judicial | 227,872 | 322,306 | 348,408 | 165,602 | 172,612 | 171,159 | 163,941 | 162,026 | 161,538 | 177,325 |
| Police | - | - | - | - | - | - | - | - | 2,575,561 | 2,584,037 |
| Fire | - | - | - | - | - | - | - | - | 926,880 | 1,179,975 |
| Public Safety | 2,141,188 | 2,553,504 | 2,493,117 | 2,796,254 | 3,225,479 | 3,299,998 | 3,205,778 | 3,094,608 | - | - |
| Sanitation | 477,009 | 521,770 | 477,512 | 484,031 | 502,085 | 531,910 | 474,108 | 424,459 | 477,421 | 496,128 |
| Parks | 175,246 | 202,133 | 240,347 | 343,969 | 390,775 | 611,235 | 422,118 | 456,795 | 518,695 | 555,763 |
| Tourism | 233,482 | 204,435 | 194,839 | 336,880 | 411,048 | 405,685 | 383,688 | 405,642 | 461,868 | 437,928 |
| Economic Development | - | - | - | - | 126 | - | - | - | - | - |
| Housing Project | 29,288 | 695 | 1,088 | 17,313 | 9,618 | 5,065 | 511 | 403 | 15,404 | 62 |
| Great Swamp | 48,200 | 37,852 | 43,191 | 15,156 | 10,732 | 7,811 | 1,878 | 3,425 | - | - |
| Non-Department Support | 94,577 | 124,819 | 204,007 | 99,859 | 43,160 | 16,497 | 10,806 | 426,366 | 78,050 | - |
| Administration | 135,685 | 25,271 | 28,639 | 148,049 | 318,366 | 357,299 | 283,912 | 330,136 | 298,563 | 353,543 |
| Bond Issue Costs | - | - | - | - | - | 7,124 | - | - | - | - |
| Interest on Long-term Debt | 181,810 | 166,941 | 158,607 | 143,906 | 132,946 | 127,899 | 115,967 | 104,843 | 99,896 | 92,025 |
| Total Governmental Activities Expenses | 5,673,638 | 6,231,243 | 6,528,934 | 6,860,400 | 7,547,757 | 8,292,630 | 7,809,854 | 8,065,398 | 7,729,379 | 7,998,746 |
| Business-type Activities | | | | | | | | | | |
| Water | 1,106,381 | 1,303,066 | 1,368,838 | 1,409,170 | 1,404,784 | 1,331,084 | 1,293,359 | 1,273,512 | 1,148,318 | 1,179,967 |
| Sewer | 934,514 | 718,335 | 752,910 | 792,298 | 829,683 | 879,746 | 932,388 | 957,505 | 1,314,793 | 1,097,332 |
| Economic Development | - | - | - | - | 68,501 | 62,593 | 68,023 | 68,479 | - | - |
| Sewer Support | - | - | - | - | - | - | - | - | - | 321,292 |
| Utility Support | - | - | - | - | - | - | - | - | 133,975 | 118,758 |
| Interst on Long-Term Debt | - | - | - | - | - | - | - | - | 86,931 | 79,112 |
| Total Business Activities Expenses | 2,040,895 | 2,021,401 | 2,121,748 | 2,201,468 | 2,302,968 | 2,273,423 | 2,293,770 | 2,299,496 | 2,684,017 | 2,796,461 |
| Total Primary Government Expenses | 7,714,533 | 8,252,644 | 8,650,682 | 9,061,868 | 9,850,725 | 10,566,053 | 10,103,624 | 10,364,894 | 10,413,396 | 10,795,207 |
| Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Program Revenues | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | 633,152 | 702,424 | 822,334 | 639,338 | 700,018 | 622,509 | 628,855 | 616,257 | 656,286 | 673,814 |
| Operating Grants and Contributions | 14,711 | 25,639 | 11,771 | 11,605 | 342,816 | 716,300 | 538,107 | 65,940 | 75,482 | 162,333 |
| Capital Grants and Contributions | 105,331 | 594,950 | 6,600 | 223,121 | 162,357 | 173,416 | 594,727 | 1,018,140 | 143,807 | 2,071,341 |
| Total Governmental Activities Program Revenues | 753,194 | 1,323,013 | 840,705 | 874,064 | 1,205,191 | 1,512,225 | 1,761,689 | 1,700,337 | 875,575 | 2,907,488 |
| Business-Type Activities | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water | 1,586,903 | 1,687,985 | 1,761,218 | 1,895,381 | 1,992,832 | 2,261,966 | 1,986,115 | 2,083,265 | 2,165,111 | 2,298,824 |
| Sewer | 1,026,297 | 1,079,166 | 1,451,504 | 1,774,235 | 1,174,484 | 1,173,419 | 1,176,668 | 1,216,379 | 1,281,676 | 1,347,548 |
| Capital Grants and Contributions | - | - | - | - | 485,282 | 308,451 | 344,926 | - | - | 132,428 |
| Total Business-Type Activities Program Revenues | 2,613,200 | 2,767,151 | 3,212,722 | 3,669,616 | 3,652,598 | 3,743,836 | 3,507,709 | 3,299,644 | 3,426,787 | 3,778,800 |
| Total Primary Government Program Revenues | 3,366,394 | 4,090,164 | 4,053,427 | 4,543,680 | 4,857,789 | 5,256,061 | 5,269,398 | 4,999,981 | 4,302,362 | 6,686,288 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental Activities | (4,920,444) | (4,908,230) | (5,688,229) | (5,986,336) | (6,342,566) | (6,780,405) | (6,048,165) | (6,365,061) | (6,853,804) | (5,091,258) |
| Business-Type Activities | 572,305 | 745,750 | 1,090,974 | 1,468,148 | 1,349,630 | 1,470,413 | 1,213,939 | 1,000,148 | 742,770 | 982,339 |
| Total Primary Government Net Revenue / (Expense) | (4,348,139) | (4,162,480) | (4,597,255) | (4,518,188) | (4,992,936) | (5,309,992) | (4,834,226) | (5,364,913) | (6,111,034) | (4,108,919) |

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

Schedule 2

| | FISCAL YEAR | | | | | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|------------------|--------------------|------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes | \$ 3,172,769 | \$ 2,996,261 | \$ 3,281,033 | \$ 3,372,108 | \$ 3,407,960 | \$ 3,390,582 | \$ 3,220,022 | \$ 3,800,206 | \$ 3,855,942 | \$ 4,111,611 |
| Business Licenses | 1,910,569 | 1,917,324 | 1,950,618 | 1,909,357 | 2,117,002 | 2,054,421 | 2,176,590 | 2,168,072 | 2,281,637 | 2,278,734 |
| Unrestricted Grants and Contributions | 189,173 | 179,149 | 189,419 | 177,130 | 230,925 | 485,733 | 200,927 | 237,122 | 137,166 | 148,527 |
| Investment Earnings | 247,850 | 231,908 | 119,104 | 92,314 | 41,469 | 26,818 | 9,891 | 6,014 | 4,483 | 4,406 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 20,658 |
| Transfers | 733,351 | 678,335 | 655,684 | 992,483 | 1,281,316 | 1,295,167 | 1,333,255 | 712,358 | 992,103 | 167,915 |
| Total Government Activities | <u>6,253,712</u> | <u>6,002,977</u> | <u>6,195,858</u> | <u>6,543,392</u> | <u>7,078,672</u> | <u>7,252,721</u> | <u>6,940,685</u> | <u>6,923,772</u> | <u>7,271,331</u> | <u>6,731,851</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 149,123 | 196,118 | 64,183 | 31,564 | 11,563 | 8,175 | 3,175 | 1,855 | 1,204 | 1,232 |
| Transfers | (733,351) | (678,335) | (655,684) | (992,483) | (1,281,316) | (1,295,167) | (1,333,255) | (712,358) | (992,103) | (167,915) |
| Total Business-Type Activities | <u>(584,228)</u> | <u>(482,217)</u> | <u>(591,501)</u> | <u>(960,919)</u> | <u>(1,269,753)</u> | <u>(1,286,992)</u> | <u>(1,330,080)</u> | <u>(710,503)</u> | <u>(990,899)</u> | <u>(166,683)</u> |
| Total Primary Government | <u>5,669,484</u> | <u>5,520,760</u> | <u>5,604,357</u> | <u>5,582,473</u> | <u>5,808,919</u> | <u>5,965,729</u> | <u>5,610,605</u> | <u>6,213,269</u> | <u>6,280,432</u> | <u>6,565,168</u> |
| Change In Net Position | | | | | | | | | | |
| Prior Period Adjustment | - | - | - | - | - | - | (118,616) | - | (6,118,692) | - |
| Governmental Activities | 1,333,268 | 1,094,747 | 507,629 | 557,056 | 736,106 | 472,316 | 892,520 | 558,711 | 417,527 | 1,640,593 |
| Business-Type Activities | (11,923) | 263,533 | 331,535 | 507,229 | 79,877 | 183,421 | (116,141) | 289,645 | (248,129) | 815,656 |
| Total Primary Government | <u>1,321,345</u> | <u>1,358,280</u> | <u>839,164</u> | <u>1,064,285</u> | <u>815,983</u> | <u>655,737</u> | <u>657,763</u> | <u>848,356</u> | <u>(5,949,294)</u> | <u>2,456,249</u> |

Source: City Audit Reports

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

Schedule 3

| | FISCAL YEAR | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GENERAL FUND | | | | | | | | | | |
| Unassigned | \$ 3,755,745 | \$ 3,818,588 | \$ 3,758,090 | \$ 3,346,386 | \$ 3,218,771 | \$ 2,943,430 | \$ 2,780,033 | \$ 4,178,285 | \$ 4,489,293 | \$ 3,970,298 |
| Nonspendable | - | - | - | - | - | - | - | - | 3,558 | - |
| Total General Fund | <u>3,755,745</u> | <u>3,818,588</u> | <u>3,758,090</u> | <u>3,346,386</u> | <u>3,218,771</u> | <u>2,943,430</u> | <u>2,780,033</u> | <u>4,178,285</u> | <u>4,492,851</u> | <u>3,970,298</u> |
| GRANT FUND | | | | | | | | | | |
| Restricted | - | - | - | - | 8,432 | - | - | - | - | - |
| Total Economic Development Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,432</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CAPITAL PROJECTS FUND | | | | | | | | | | |
| Assigned | - | - | - | - | - | 1,071,305 | 2,537,397 | 609,930 | 328,759 | 151,711 |
| Restricted | - | - | - | - | - | - | 12,902 | 8,972 | 10,264 | 3,581 |
| Total Capital Projects Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,071,305</u> | <u>2,550,299</u> | <u>618,902</u> | <u>339,023</u> | <u>155,292</u> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| Assigned | 2,781,086 | 2,718,677 | 2,697,315 | 3,116,283 | 2,137,169 | 2,356,597 | - | - | - | - |
| Restricted | - | - | - | - | 310,175 | 160,205 | 93,350 | 95,739 | 99,791 | 96,100 |
| Committed | - | - | - | - | 574,689 | 672,780 | 326,630 | 424,681 | 504,696 | 682,229 |
| Total All Other Governmental Funds | <u>2,781,086</u> | <u>2,718,677</u> | <u>2,697,315</u> | <u>3,116,283</u> | <u>3,022,033</u> | <u>3,189,582</u> | <u>419,980</u> | <u>520,420</u> | <u>604,487</u> | <u>778,329</u> |
| TOTAL GOVERNMENTAL FUND BALANCE | <u>\$ 6,536,831</u> | <u>\$ 6,537,265</u> | <u>\$ 6,455,405</u> | <u>\$ 6,462,669</u> | <u>\$ 6,249,236</u> | <u>\$ 7,204,317</u> | <u>\$ 5,750,312</u> | <u>\$ 5,317,607</u> | <u>\$ 5,436,361</u> | <u>\$ 4,903,919</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 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 3,032,901 | \$ 3,030,233 | \$ 3,339,362 | \$ 3,393,356 | \$ 3,377,424 | \$ 3,353,481 | \$ 3,229,469 | \$ 3,798,439 | \$ 3,827,612 | \$ 4,104,954 |
| Fines, Fees, and Licenses | 2,130,653 | 2,204,815 | 2,283,243 | 2,028,600 | 2,402,428 | 2,267,301 | 2,368,574 | 2,347,669 | 2,926,598 | 2,952,748 |
| Intergovernmental | 152,242 | 168,257 | 160,530 | 134,627 | 112,117 | 98,705 | 116,462 | 117,132 | 118,159 | 118,159 |
| Solid Waste Disposal Charges | 338,195 | 331,460 | 411,722 | 389,379 | 423,067 | 420,498 | 447,965 | 436,660 | - | - |
| Miscellaneous | 659,751 | 1,131,972 | 201,507 | 545,607 | 711,091 | 1,329,012 | 1,074,476 | 1,211,443 | 274,561 | 2,288,907 |
| Total Revenues | 6,313,742 | 6,866,737 | 6,396,364 | 6,491,569 | 7,026,127 | 7,468,997 | 7,236,946 | 7,911,343 | 7,146,930 | 9,464,768 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Mayor/Council/Attorney/Judge | 226,629 | 257,994 | 256,744 | 264,334 | 241,767 | 273,453 | 318,823 | 285,505 | 204,330 | 213,872 |
| City Manager/City Clerk | 195,074 | 194,745 | 188,369 | 193,593 | 194,123 | 196,101 | 195,632 | 277,729 | 222,423 | 226,345 |
| Finance | 351,114 | 363,427 | 382,297 | 398,053 | 408,211 | 413,144 | 424,484 | 412,476 | 374,667 | 403,630 |
| Public Works | 1,008,932 | 1,310,624 | 1,294,674 | 1,143,648 | 1,100,502 | 1,472,363 | 1,424,284 | 1,254,186 | 892,741 | 832,632 |
| Planning/Code Enforcement | 101,243 | 140,544 | 215,954 | 288,193 | 239,008 | 266,383 | 240,273 | 248,934 | 259,711 | 261,735 |
| Judicial | 223,563 | 318,073 | 349,320 | 165,602 | 173,292 | 170,977 | 164,265 | 160,529 | 162,048 | 176,790 |
| Police | - | - | - | - | - | - | - | - | 2,313,395 | 2,340,922 |
| Fire | - | - | - | - | - | - | - | - | 875,389 | 1,130,272 |
| Public Safety | 2,186,423 | 2,686,193 | 2,669,446 | 2,800,562 | 3,096,021 | 3,152,902 | 3,064,326 | 2,873,095 | - | - |
| Sanitation | 419,404 | 607,179 | 405,344 | 720,422 | 405,982 | 437,888 | 391,442 | 334,599 | 395,657 | 400,243 |
| Parks | 210,078 | 206,119 | 354,600 | 301,156 | 389,264 | 554,953 | 360,900 | 343,666 | 372,497 | 409,639 |
| Tourism | - | - | 194,839 | 336,880 | 366,275 | 405,774 | 383,915 | 406,779 | 463,022 | 434,783 |
| Housing Project | 29,288 | 695 | 1,088 | 17,313 | 9,618 | 5,065 | 511 | 403 | 15,404 | 62 |
| Great Swamp | 363,798 | 318,736 | 60,077 | 145,765 | 10,732 | 7,811 | 1,878 | 3,425 | - | - |
| Non-Departmental Support | 1,208,847 | 491,634 | 604,486 | 255,182 | 43,160 | 16,497 | 10,806 | 426,366 | 78,050 | - |
| Reserve Accounts | 135,685 | 25,271 | 28,639 | 148,049 | 318,366 | 357,299 | 283,912 | 330,136 | 298,563 | - |
| Administrative | - | - | - | - | - | - | - | - | - | 272,486 |
| Debt Service | | | | | | | | | | |
| Principal | - | - | - | - | 278,210 | 347,608 | 368,034 | 403,547 | 500,744 | 516,797 |
| Interest | - | - | - | - | 132,758 | 124,666 | 117,856 | 107,464 | 101,223 | 91,310 |
| Capital Outlay | - | - | - | - | 898,587 | 958,082 | 2,272,865 | 1,499,567 | 695,380 | 2,453,607 |
| Total Expenditures | 6,660,078 | 6,921,234 | 7,005,877 | 7,178,752 | 8,305,876 | 9,160,966 | 10,024,206 | 9,368,406 | 8,225,244 | 10,165,125 |
| Excess (deficiency) of revenues over (under) expenditures | (346,336) | (54,497) | (609,513) | (687,183) | (1,279,749) | (1,691,969) | (2,787,260) | (1,457,063) | (1,078,314) | (700,357) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of Debt | - | - | - | - | - | 1,351,883 | - | 312,000 | 204,965 | - |
| Transfers In | 1,541,479 | 1,768,618 | 1,313,283 | 1,751,615 | 2,160,893 | 2,173,157 | 2,234,245 | 3,923,259 | 1,256,500 | 1,049,000 |
| Transfers Out | (808,128) | (1,558,316) | (785,633) | (1,057,168) | (879,577) | (877,990) | (900,990) | (3,210,901) | (264,397) | (881,085) |
| Total Other Financing Sources (Uses) | 733,351 | 210,302 | 527,650 | 694,447 | 1,281,316 | 2,647,050 | 1,333,255 | 1,024,358 | 1,197,068 | 167,915 |
| Net Change in Fund Balances | 387,015 | 155,805 | (81,863) | 7,264 | 1,567 | 955,081 | (1,454,005) | (432,705) | 118,754 | (532,442) |
| Fund Balances, Beginning | 5,994,445 | 6,381,460 | 6,537,265 | 6,455,402 | 6,462,669 | 6,249,236 | 7,204,317 | 5,750,312 | 5,317,607 | 5,436,361 |
| Prior Period Adjustment(s) | - | - | - | - | (215,000) | - | - | - | - | - |
| Fund Balances, Ending | \$ 6,381,460 | \$ 6,537,265 | \$ 6,455,402 | \$ 6,462,666 | \$ 6,249,236 | \$ 7,204,317 | \$ 5,750,312 | \$ 5,317,607 | \$ 5,436,361 | \$ 4,903,919 |
| Debt service as a percentage of noncapital expenditures | N/A | N/A | N/A | N/A | 5.9% | 6.1% | 6.7% | 6.9% | 8.7% | 8.6% |

Source: City Audit Reports

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

Schedule 5

| FISCAL YEAR ENDED JUNE 30, | ASSESSED VALUE | | | MARKET VALUE | | | TOTAL DIRECT TAX RATE |
|---|-----------------------|--------------------------|--------------|----------------------|--------------------------|----------------|--|
| | REAL PROPERTY | PERSONAL PROPERTY | TOTAL | REAL PROPERTY | PERSONAL PROPERTY | TOTAL | |
| 2007 | 16,882,260 | 3,312,580 | 20,194,840 | 290,939,951 | 21,838,331 | \$ 312,778,282 | 81.00 |
| 2008 | 17,445,170 | 3,628,988 | 21,074,158 | 300,340,051 | 34,835,056 | 335,175,107 | 83.00 |
| 2009 | 18,878,650 | 4,059,310 | 22,937,960 | 325,851,450 | 38,969,318 | 364,820,768 | 83.00 |
| 2010 | 18,175,613 | 4,116,560 | 22,292,173 | 431,533,550 | 40,747,393 | 472,280,943 | 77.00 |
| 2011 | 19,715,147 | 5,711,537 | 25,426,684 | 434,658,528 | 40,883,614 | 475,542,142 | 77.00 |
| 2012* | 19,183,243 | 6,401,206 | 25,584,449 | 429,454,560 | 73,742,766 | 503,197,326 | 79.50 |
| 2013 | 19,176,481 | 6,190,576 | 25,367,057 | 429,359,106 | 72,625,722 | 501,984,828 | 79.50 |
| 2014 | 19,452,020 | 5,235,460 | 24,687,480 | 433,364,625 | 61,151,390 | 494,516,015 | 88.00 |
| 2015 | 19,666,500 | 6,321,410 | 25,987,910 | 438,059,595 | 73,344,620 | 511,404,215 | 88.00 |
| 2016 | 20,021,620 | 5,883,870 | 25,905,490 | 446,377,474 | 69,725,050 | 516,102,524 | 88.00 |

* Reassessment Year.

Data Source: Colleton County Auditor's Office

**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 |
| 2007 | 81.00 | 102.40 | 11.20 | 98.20 | 24.50 |
| 2008 | 83.00 | 104.20 | 11.40 | 101.44 | 44.50 |
| 2009 | 83.00 | 104.20 | 12.00 | 104.38 | 46.50 |
| 2010 | 77.00 | 107.50 | 8.70 | 104.38 | 46.50 |
| 2011 | 77.00 | 105.86 | 7.41 | 101.83 | 46.50 |
| 2012 | 79.50 | 108.45 | 7.41 | 104.31 | 46.50 |
| 2013 | 79.50 | 108.45 | 7.41 | 104.31 | 46.50 |
| 2014 | 88.00 | 108.45 | 7.41 | 104.31 | 46.50 |
| 2015 | 88.00 | 108.45 | 7.41 | 104.31 | 46.50 |
| 2016 | 88.00 | 108.45 | 7.41 | 104.31 | 46.50 |

Source: County Auditor's Office

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

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

Schedule 7

| TAXPAYER | 2016 | | | 2007 | | |
|--------------------------------------|------------------------------|------|---|------------------------------|------|---|
| | 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. | \$ 1,277,590 | 1 | 6.66 % | N/A | | N/A % |
| WALTERBORO COMMUNITY HOSPITAL | 895,670 | 2 | 4.67 | N/A | | N/A |
| WAL-MART REAL ESTATE BUSINESS TRUST | 765,000 | 3 | 3.99 | N/A | | N/A |
| HINESVILLE SHOPPING LLC | 387,300 | 4 | 2.02 | N/A | | N/A |
| PECK SLIP ASSOCIATES GROUP LLCC | 339,120 | 5 | 1.77 | N/A | | N/A |
| LMS FOREST POINTE LLC | 300,000 | 6 | 1.56 | N/A | | N/A |
| FRE WALTERBORO LLC | 292,800 | 7 | 1.53 | N/A | | N/A |
| USPG PORTFOLIO TWO LLC | 234,000 | 8 | 1.22 | N/A | | N/A |
| MD - WALTERBORO | 228,840 | 9 | 1.19 | N/A | | N/A |
| HOSPITAL DEVELOPMENT PROPERTIES, INC | 216,000 | 10 | 1.13 | N/A | | N/A |
| Total | \$ 4,936,320 | | 25.73 % | \$ - | | - % |

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 OF LEVY | | AMOUNT | PERCENTAGE OF LEVY |
| 2007 | \$ 1,124,130 | \$ 1,016,214 | 90.4% | \$ 75,928 | \$ 1,092,142 | 97.2% |
| 2008 | 1,212,580 | 1,101,023 | 90.8 | 83,913 | 1,184,936 | 97.7 |
| 2009 | 1,331,175 | 1,199,389 | 90.1 | 87,831 | 1,287,220 | 96.7 |
| 2010 | 1,393,947 | 1,124,915 | 80.7 | 239,432 | 1,364,347 | 97.9 |
| 2011 | 1,443,882 | 1,300,938 | 90.1 | 123,589 | 1,424,527 | 98.7 |
| 2012 | 1,393,372 | 1,231,741 | 88.4 | 114,452 | 1,346,193 | 96.6 |
| 2013 | 1,248,098 | 1,157,677 | 92.8 | 58,917 | 1,216,594 | 97.5 |
| 2014 | 1,613,332 | 1,500,519 | 93.0 | 87,928 | 1,588,447 | 98.5 |
| 2015 | 1,616,584 | 1,532,524 | 94.8 | 86,654 | 1,619,178 | 100.2 |
| 2016 | 1,657,630 | 1,565,945 | 94.5 | 124,630 | 1,690,575 | 102.0 |

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 | | | |
| 2007 | \$ 1,481,061 | \$ 1,648,143 | \$ 226,646 | \$ 844,404 | N/A | \$ 4,200,254 | N/A | \$ 738 |
| 2008 | 1,399,868 | 1,558,487 | 167,163 | 788,305 | N/A | 3,913,823 | N/A | 677.13 |
| 2009 | 1,315,273 | 1,464,973 | 126,076 | 729,944 | N/A | 3,636,266 | N/A | 627.92 |
| 2010 | 1,227,135 | 1,367,436 | 97,507 | 669,231 | \$ 3,860,522 | 7,221,831 | 25.43 % | 1,337.87 |
| 2011 | 1,135,307 | 1,265,703 | 76,019 | 606,070 | 5,374,150 | 8,457,249 | 28.56 | 1,565.58 |
| 2012 | 1,057,536 | 1,183,886 | 55,789 | 1,858,000 | 4,728,668 | 8,883,879 | 29.19 | 1,657.44 |
| 2013 | 949,504 | 1,063,282 | 36,793 | 1,737,298 | 4,410,475 | 8,197,352 | 26.02 | 1,544.05 |
| 2014 | 839,193 | 939,456 | 303,734 | 1,613,247 | 4,084,934 | 7,780,564 | 24.70 | 1,464.99 |
| 2015 | 725,626 | 812,321 | 403,417 | 1,458,487 | 3,751,769 | 7,151,620 | 22.70 | 1,346.57 |
| 2016 | 609,025 | 681,789 | 292,880 | 1,299,360 | 3,412,821 | 6,295,875 | 19.70 | 1,192.85 |

Source: City Audit Report, US Census Bureau

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

See schedule 14 for personal income and population.

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

N/A Information is not available.

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

Schedule 10

| FISCAL YEAR ENDED | GENERAL OBLIGATION BONDS | PERCENTAGE OF ACTUAL TAXABLE VALUE | PER CAPITA |
|----------------------------------|---|---|-------------------|
| 2007 | \$ 844,404 | 4.2% | 148 |
| 2008 | 788,305 | 3.7% | 136 |
| 2009 | 729,944 | 3.2% | 126 |
| 2010 | 669,231 | 3.0% | 124 |
| 2011 | 606,070 | 2.4% | 112 |
| 2012 | 1,858,000 | 7.3% | 347 |
| 2013 | 1,737,298 | 6.8% | 327 |
| 2014 | 1,613,247 | 6.5% | 304 |
| 2015 | 1,458,487 | 5.6% | 275 |
| 2016 | 1,299,360 | 5.0% | 246 |

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

Schedule 11

| <u>GOVERNMENTAL UNIT</u> | <u>DEBT OUTSTANDING</u> | <u>ESTIMATED PERCENTAGE APPLICABLE</u> | <u>ESTIMATED SHARE OF OVERLAPPING DEBT</u> |
|--|------------------------------|--|--|
| Debt repaid with property taxes | | | |
| Colleton County | \$ 41,724,070 | 20.00% | \$ 8,344,814 |
| Fire and Rescue | 8,184,043 | 20.00% | 1,636,809 |
| Colleton County School District | 88,122,315 | 20.00% | 17,624,463 |
| Subtotal overlapping debt | <u>138,030,428</u> | | <u>27,606,086</u> |
| City direct debt | <u>2,883,054</u> | 100.00% | <u>2,883,054</u> |
| Total direct and overlapping debt | <u><u>\$ 140,913,482</u></u> | | <u><u>\$ 30,489,140</u></u> |

Sources: Colleton County Treasurer, Colleton County School District

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

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

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|------------------------------------|--------------------|
| Assessed Value | \$ 25,905,490 |
| Debt limit (8% of assessed value) | 2,072,439 |
| Debt applicable to limit: | |
| General Obligation Bonds | |
| Total net debt applicable to limit | <u>(1,299,360)</u> |
| Legal Debt Margin | <u>\$ 773,079</u> |

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|------------------|-------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Debt Limit | \$ 938,791 | \$ 1,025,962 | \$ 3,740,711 | \$ 2,088,699 | \$ 2,034,134 | \$ 2,046,756 | \$ 2,029,365 | \$ 1,974,998 | \$ 2,079,033 | \$ 2,072,439 |
| Total net debt applicable to limit | <u>(844,404)</u> | <u>(788,305)</u> | <u>(729,944)</u> | <u>(669,231)</u> | <u>(606,070)</u> | <u>(1,858,000)</u> | <u>(1,737,298)</u> | <u>(1,613,247)</u> | <u>(1,458,487)</u> | <u>(1,299,360)</u> |
| Legal debt margin | <u>\$ 94,387</u> | <u>\$ 237,657</u> | <u>\$ 3,010,767</u> | <u>\$ 1,419,468</u> | <u>\$ 1,428,064</u> | <u>\$ 188,756</u> | <u>\$ 292,067</u> | <u>\$ 361,751</u> | <u>\$ 620,546</u> | <u>\$ 773,079</u> |
| Total net debt applicable to the limit as a percentage of debt limit | <u>89.9%</u> | <u>76.8%</u> | <u>19.5%</u> | <u>32.0%</u> | <u>29.8%</u> | <u>90.8%</u> | <u>85.6%</u> | <u>81.7%</u> | <u>70.2%</u> | <u>62.7%</u> |

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

Source: City Audit Report

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

Schedule 13

| FISCAL YEAR ENDED | REVENUE BONDS | | | | | |
|----------------------------------|--------------------------|-------------------------------|--------------------------------------|---------------------|-----------------|-----------------|
| | | | | DEBT SERVICE | | |
| | GROSS REVENUE | OPERATING EXPENSES | NET AVAILABLE REVENUE | PRINCIPAL | INTEREST | COVERAGE |
| JUNE 30, | | | | | | |
| 2007 | \$ 2,613,200 | \$ 1,407,957 | \$ 1,205,243 | \$ 159,684 | \$ 126,105 | 9.1% |
| 2008 | 2,767,151 | 1,384,534 | 1,382,617 | 166,168 | 119,621 | 9.7 |
| 2009 | 3,212,722 | 1,473,895 | 1,738,827 | 172,915 | 112,874 | 11.2 |
| 2010 | 3,669,616 | 1,547,004 | 2,122,612 | 179,937 | 113,510 | 12.5 |
| 2011 | 3,167,316 | 1,572,864 | 1,594,452 | 211,972 | 133,366 | 9.2 |
| 2012 | 3,415,385 | 1,494,391 | 1,920,994 | 261,123 | 98,385 | 9.5 |
| 2013 | 3,162,783 | 1,483,574 | 1,679,209 | 318,193 | 102,328 | 7.5 |
| 2014 | 3,299,644 | 1,478,438 | 1,821,206 | 325,541 | 95,245 | 7.8 |
| 2015 | 3,426,787 | 1,851,010 | 1,575,777 | 333,165 | 57,317 | 8.8 |
| 2016 | 3,680,572 | 1,989,553 | 1,691,019 | 338,948 | 79,762 | 8.8 |

Source: City Audit Report

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

Schedule 14

| FISCAL YEAR ENDED JUNE 30, | POPULATION | PERSONAL INCOME (thousands of dollars) | PER CAPITA PERSONAL INCOME | MEDIAN AGE | SCHOOL ENROLLMENT* | UNEMPLOYMENT RATE | |
|---|-------------------|---|---|-----------------------|-------------------------------|------------------------------|---|
| 2007 | 5,690 | N/A | N/A | N/A | 5,919 | N/A | |
| 2008 | 5,780 | N/A | N/A | N/A | 5,829 | N/A | |
| 2009 | 5,791 | \$ 28,085 | \$ 17,014 | 39.6 | 5,846 | 12.20 | % |
| 2010 | 5,398 | 28,396 | 17,784 | 36.1 | 5,808 | 12.40 | |
| 2011 | 5,402 | 29,609 | 17,784 | 36.1 | 5,772 | 14.10 | |
| 2012 | 5,360 | 30,436 | 19,140 | 36.1 | 1,197 | 12.10* | |
| 2013 | 5,309 | 31,505 | 20,007 | 38.9 | 1,302 | 11.50 | |
| 2014 | 5,311 | 31,505 | 20,007 | 38.9 | 1,421 | 6.60 | |
| 2015 | 5,311 | 31,505 | 20,007 | 41.3 | 1,421 | 7.00 | |
| 2016 | 5,278 | 31,966 | 18,436 | 41.3 | 1,410 | 6.50 | |

Data Source:

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

N/A Information is not available

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

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

Schedule 15

| EMPLOYER | 2016 | | | | 2007 | | | |
|------------------------------|-----------|------|---|---|-----------|------|---|---|
| | EMPLOYEES | RANK | PERCENTAGE OF TOTAL CITY EMPLOYMENT | | EMPLOYEES | RANK | PERCENTAGE OF TOTAL CITY EMPLOYMENT | |
| Colleton County School Board | 931 | 1 | N/A | % | N/A | N/A | N/A | % |
| Colleton Medical Center | 495 | 2 | N/A | | N/A | N/A | N/A | |
| Colleton County | 454 | 3 | N/A | | N/A | N/A | N/A | |
| Walmart | 317 | 4 | N/A | | N/A | N/A | N/A | |
| Veterans Victory House | 245 | 5 | N/A | | N/A | N/A | N/A | |
| Dayco | 123 | 6 | N/A | | N/A | N/A | N/A | |
| BiLo | 120 | 7 | N/A | | N/A | N/A | N/A | |
| City of Walterboro | 120 | 8 | N/A | | N/A | N/A | N/A | |
| Cracker Barrel | 110 | 9 | N/A | | N/A | N/A | N/A | |
| Carolina Visuals | 89 | 10 | N/A | | N/A | N/A | N/A | |
| | | | | | | | | |
| Total | 3,004 | | - | % | - | | - | % |

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

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

Schedule 16

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|------------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Mayor/Council/Attorney/Judge | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| City Manager/City Clerk | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Finance | 5 | 5 | 4 | 4 | 4 | 5 | 5 | 4 | 4 | 4 |
| Public Works | 16 | 16 | 16 | 16 | 16 | 15.5 | 15.5 | 15.5 | 11.5 | 11.5 |
| Planning/Code Enforcement | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 4 |
| Police | - | - | - | - | - | - | - | - | 36 | 36 |
| Judicial | 3 | 3 | 3.5 | 3.5 | 3.5 | 2.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Fire | - | - | - | - | - | - | - | - | 11.5 | 14.5 |
| Public Safety | 44 | 43 | 45 | 46 | 46 | 46 | 46 | 46 | - | - |
| Sanitation | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Parks | 4 | 4 | 6 | 6 | 8 | 8 | 8 | 7 | 7 | 7 |
| Tourism | - | 1.0 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Economic Development | - | - | 1 | 1 | 1 | 1 | 1 | - | - | - |
| Water | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7.5 | 8.5 | 9.5 |
| Utility Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sewer | 5 | 5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 8.5 | 4 |
| Sewer Support | - | - | - | - | - | - | - | - | - | 5 |
| Total | 105.0 | 105.0 | 112.5 | 113.5 | 115.5 | 115.0 | 116.0 | 112.5 | 115.0 | 119.5 |

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

Source: City Human Resources

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

Schedule 17

| | FISCAL YEAR | | | | | | | | | |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Business Licenses | | | | | | | | | | |
| NUMBERS ISSUED | 930 | 892 | 888 | 885 | 816 | 880 | 844 | 733 | 905 | 1,017 |
| Sales Reported for Licenses* | \$ 532,511 | \$ 521,746 | \$ 534,373 | \$ 545,401 | \$ 542,750 | \$ 547,523 | \$ 571,142 | \$ 541,735 | \$ 582,913 | \$ 609,080 |
| Commercial Building Permits Issued | | | | | | | | | | |
| NUMBERS ISSUED | 45 | 48 | 54 | 63 | 59 | 63 | 63 | 78 | 77 | 56 |
| Sales Reported for Permits Issued* | \$ 9,274 | \$ 11,571 | \$ 13,773 | \$ 12,952 | \$ 24,183 | \$ 11,309 | \$ 15,319 | \$ 32,701 | \$ 30,140 | \$ 46,562 |
| Residential Building Permits Issued | | | | | | | | | | |
| NUMBERS ISSUED | 108 | 100 | 106 | 110 | 91 | 93 | 104 | 135 | 136 | 136 |
| Sales Reported for Permits Issued* | \$ 2,794 | \$ 3,212 | \$ 11,975 | \$ 10,954 | \$ 9,063 | \$ 8,311 | \$ 9,805 | \$ 11,395 | \$ 9,749 | \$ 18,523 |

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

| <u>FUNCTION/PROGRAM</u> | <u>FISCAL YEAR</u> | | | | | | | | | |
|--------------------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| EMERGENCY SERVICES: | | | | | | | | | | |
| NUMBER OF FIRE STATIONS | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| NUMBER OF FIRE TRUCKS | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| NUMBER OF POLICE STATIONS | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| NUMBER OF POLICE VEHICLES | 36 | 39 | 38 | 40 | 44 | 44 | 44 | 44 | 44 | 38 |
| PUBLIC WORKS | | | | | | | | | | |
| NUMBER OF GARBAGE TRUCKS | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| WATER/SEWER | | | | | | | | | | |
| MILES OF PIPE IN GROUND | | | | | | | | | | |
| WATER | 284 | 286 | 290 | 291 | 291 | 291 | 291 | 291 | 291 | 291 |
| SEWER | 76 | 77 | 77 | 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, 2016**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Pass-Through to Sub-Recipients | Total Federal Expenditures |
|--|--------------------------------|---|---|---------------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| <i>Passed through the South Carolina Department of Commerce</i> | | | | |
| Community Development Block Grant | 14.228 | | | |
| S. Jefferies Streetscape | | 4-W-13-005 | \$ - | \$ 488,000 |
| North Lemacks Street Village Renaissance Phase III Plan | | 4-V-14-002 | - | 29,161 |
| Hampton Street Area Water Upgrade | | 4-CI-14-020 | - | 729,005 |
| Total Community Development Block Grant | 14.228 | | - | 1,246,166 |
| U.S. Department of Agriculture | | | | |
| <i>Passed through the South Carolina Department of Agriculture</i> | | | | |
| Rural Development Vehicle Replacement Program | 10.766 | | - | 50,000 |
| U.S. Department of Justice | | | | |
| <i>Passed through the South Carolina Department of Public Safety</i> | | | | |
| Body-Worn Cameras Fund | 16.835 | BJA-2016-9199 | - | 36,812 |
| U. S. Department of Homeland Security | | | | |
| Disaster Prevention and Relief | 97.036 | FEMA-2016-9199 | - | 19,278 |
| Total Expenditures of Federal Awards | | | <u>\$ -</u> | <u>\$ 1,352,256</u> |

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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.

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, 2016, 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 3, 2016.

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. 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.



BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 3, 2016

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, 2016. 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, 2016.

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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 3, 2016

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. Summary of Auditors' Results

- A. The auditors' report expresses an unmodified opinion on the financial statements of the City of Walterboro, South Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the City of Walterboro, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs of the City of Walterboro, South Carolina expresses an unmodified opinion on all major federal programs.
- F. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 2 CFR section 200.516(a).
- G. Major federal program for the City of Walterboro, South Carolina for the fiscal year ended June 30, 2016 are:

Program Name

CDBG - State Administered Small Cities Program Cluster

CFDA#

14.228

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

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, 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, 2016, which are required to be reported in accordance with 2 CFR section 200.516(a).

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

There were no findings noted for the year ended June 30, 2015 which are required to be reported in accordance with *Government Auditing Standards*.