

**CITY OF TEGA CAY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2017**

CITY OF TEGA CAY  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council  
City of Tega Cay  
Tega Cay, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tega Cay, South Carolina, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion 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 opinion.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Honorable Mayor and Members of City Council  
City of Tega Cay  
April 2, 2018

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension liability information as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise the City of Tega Cay, South Carolina's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
April 2, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Tega Cay's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,507,444 (*net position*). Of this amount, the unrestricted net position balance is \$(859,426).
- The City's total net position for governmental activities decreased \$420,877 over the course of this year's operations. Net position of the business-type activity, which represents the water and sewer and stormwater funds, decreased by \$65,482.
- The City issued new debt during the year consisting of \$669,730 in capital lease obligations, \$212,000 in notes payable and \$3,821,493 in bond issues.
- The City repaid \$1,404,881 of bonds, notes and capital lease payables during the year.
- During the year, the City's governmental activity expenses were \$10,864,623, program revenues were \$4,408,513 and general revenues were \$6,035,233. This resulted in an excess of expenses over revenues of \$420,877 in the governmental activities.
- In the City's business-type activities, operating revenues were \$4,712,623 while expenses were \$4,388,071. This resulted in an operating gain of \$324,552.
- The City's governmental capital assets, net of depreciation at September 30, 2017, totaled \$18,894,851 while business-type capital assets, net of depreciation, totaled \$20,296,946. The City's governmental capital assets increased by \$2,284,779 during the year and the business-type capital assets increased by \$3,546,476 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,949,495, a decrease of \$2,256,714 from the prior year. The decrease is primarily due to the construction of a new fire station. Approximately 60 percent of this total amount, \$2,375,656 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,187,229 or 20 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

- o *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**  
**Major Features of City of Tega Cay’s Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except Fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenses, and changes in fund</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, bond revenue, contributions and grants.

The City has two kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

## GOVERNMENT- WIDE FINANCIAL ANALYSIS

### Net Position

The City's combined net position decreased \$486,359 or 3.5 percent between fiscal years 2017 and 2016. (See Table A-1.) The largest portion of the City's net position (101%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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 of Tega Cay'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.

Table A-1  
City of Tega Cay's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other	\$ 4,579,940	\$ 6,903,864	\$ 1,702,123	\$ 1,848,576	\$ 6,282,063	\$ 8,752,440
Capital assets	18,894,851	16,610,072	20,296,946	16,750,470	39,191,797	33,360,542
Total assets	<u>23,474,791</u>	<u>23,513,936</u>	<u>21,999,069</u>	<u>18,599,046</u>	<u>45,473,860</u>	<u>42,112,982</u>
Deferred outflows of resources	1,896,563	1,074,626	490,202	301,022	2,386,765	1,375,648
Total deferred outflows of resources	<u>1,896,563</u>	<u>1,074,626</u>	<u>490,202</u>	<u>301,022</u>	<u>2,386,765</u>	<u>1,375,648</u>
Long-term debt	16,740,815	15,452,177	16,731,594	13,155,480	33,472,409	28,607,657
Other liabilities	494,668	578,754	381,320	302,305	875,988	881,059
Total liabilities	<u>17,235,483</u>	<u>16,030,931</u>	<u>17,112,914</u>	<u>13,457,785</u>	<u>34,348,397</u>	<u>29,488,716</u>
Deferred inflows of resources	3,181	4,064	1,603	2,047	4,784	6,111
Total deferred inflows of resources	<u>3,181</u>	<u>4,064</u>	<u>1,603</u>	<u>2,047</u>	<u>4,784</u>	<u>6,111</u>
Net position						
Invested in capital assets, net of related debt	8,426,127	6,169,150	5,225,729	5,008,155	13,651,856	11,177,305
Restricted	92,751	2,191,960	622,263	182,539	715,014	2,374,499
Unrestricted (deficit)	(386,188)	192,457	(473,238)	249,542	(859,426)	441,999
Total net position	<u>\$ 8,132,690</u>	<u>\$ 8,553,567</u>	<u>\$ 5,374,754</u>	<u>\$ 5,440,236</u>	<u>\$ 13,507,444</u>	<u>\$ 13,993,803</u>

**Changes in Net Position.** The City's total reported revenues decreased by \$ 200,000 to \$15.2 million. (See Table A-2.) About 32 percent of the City's revenue comes from property taxes. Fees charged for services account for about 59 percent.

The total cost of all programs and services increased approximately \$1.5 million. The City's expenses cover a range of services, with about 25 percent related to public safety and 31 percent related to enterprise fund operations.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

**Table A-2**  
**Changes in City of Tega Cay's Net Position**  
*(in thousands of dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 4,347	\$ 4,483	\$ 4,691	\$ 4,998	\$ 9,038	\$ 9,481	-4.67%
Grants and contributions	61	14	-	-	61	14	335.71%
General revenues							
Property taxes	4,832	4,532	-	-	4,832	4,532	6.62%
Other taxes	737	667	-	-	737	667	10.49%
Intergovernmental	174	168	-	-	174	168	3.57%
Other	292	537	23	18	315	555	-43.24%
Transfers	-	-	-	-	-	-	0.00%
<b>Total revenues</b>	<u>10,443</u>	<u>10,401</u>	<u>4,714</u>	<u>5,016</u>	<u>15,157</u>	<u>15,417</u>	-1.69%

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017-2016
<b>Expenses</b>							
General government	\$ 1,464	\$ 1,126	\$ -	\$ -	\$ 1,464	\$ 1,126	30.02%
Building inspection	539	532	-	-	539	532	1.32%
Public works	904	817	-	-	904	817	10.65%
Public safety	2,549	2,390	-	-	2,549	2,390	6.65%
Fire services	1,293	1,050	-	-	1,293	1,050	23.14%
Community events and services	168	220	-	-	168	220	-23.64%
Parks and recreation	591	561	-	-	591	561	5.35%
Non-departmental	1,455	1,449	-	-	1,455	1,449	0.41%
Beach and Swim Club	193	238	-	-	193	238	-18.91%
Golf course	1,469	1,428	-	-	1,469	1,428	2.87%
Interest and fiscal charges	240	220	-	-	240	220	9.09%
Water and sewer	-	-	4,297	3,764	4,297	3,764	14.16%
Stormwater	-	-	484	372	484	372	30.11%
<b>Total expenses</b>	<b>10,865</b>	<b>10,031</b>	<b>4,781</b>	<b>4,136</b>	<b>15,646</b>	<b>14,167</b>	<b>10.44%</b>
Excess (deficiency) before transfers	(422)	370	(67)	880	(489)	1,250	-139.12%
<b>Increase (decrease) in net position</b>	<b>\$ (422)</b>	<b>\$ 370</b>	<b>\$ (67)</b>	<b>\$ 880</b>	<b>\$ (489)</b>	<b>\$ 1,250</b>	<b>-139.12%</b>

### Governmental Activities

Revenues for the City's governmental activities increased \$42,000 or .4 percent, while total expenses increased \$834 thousand or 8 percent.

- Property tax revenues increased approximately \$300 thousand from the prior year primarily due to a growing community.
- Charges for services were \$136 thousand lower than prior year due to a decrease in general and developmental activities.

### Business-Type Activities

Revenues of the City's business-type activities decreased approximately \$302 thousand to \$4.7 million, while expenses increased approximately to \$645 thousand. (Refer to Table A-2.)

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$3949495, a decrease of \$2,256,714 from the prior year. The primary reason for the governmental fund's change is an increase from construction of a new fire station.

## General Fund Budgetary Highlights

Actual general fund expenditures were \$2.6 million above budgeted amounts. This is primarily due to construction of a new fire station.

Resources available for appropriation were \$53 thousand below the budgeted amount. The decreases were due primarily to taxes, fines, fees, licenses and permits in excess of budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the City had invested \$39 million in a broad range of capital assets, net of depreciation. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$3.6 million, or 12 percent, above last year.

Table A-3  
City of Tega Cay's Capital Assets  
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017-2016
Land	\$ 5,859	\$ 5,959	\$ -	\$ -	\$ 5,859	\$ 5,959	-1.68%
Buildings and improvements	13,032	10,553	-	-	13,032	10,553	23.49%
Infrastructure	3,738	3,538	24,481	20,342	28,219	23,880	18.17%
Machinery and equipment	5,123	4,812	1,098	996	6,221	5,808	7.11%
Accumulated depreciation	(8,858)	(8,252)	(5,283)	(4,588)	(14,141)	(12,840)	10.13%
	<u>\$ 18,894</u>	<u>\$ 16,610</u>	<u>\$ 20,296</u>	<u>\$ 16,750</u>	<u>\$ 39,190</u>	<u>\$ 33,360</u>	

This year's major capital asset additions included:

- Purchase of vehicles, machinery and equipment, buildings and infrastructure.

More detailed information about the City's capital assets is presented in Notes 1 and 6 to the financial statements.

### Long-term Debt

At year end, the City had \$25.7 million in bonds, notes payable and capital lease obligations outstanding as shown in Table A-4. The City repaid principal of \$1.4 million on bonds, notes and capital leases payable during the year. The City also issued new bonds, notes payable and capital lease obligations totaling \$4.7 million.

More detailed information about the City's long-term debt is presented in Note 8 to the financial statements.

**Table A-4**  
**City of Tega Cay's Outstanding Debt**  
*(in thousands of dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenue bonds	\$ -	\$ -	\$ 13,492	\$ 10,103	\$ 13,492	\$ 10,103	33.54%
Due to developers	-	-	169	169	169	169	0.00%
Notes payable	424	240	-	-	424	240	76.67%
General obligation bonds	8,969	9,496	27	48	8,996	9,544	-5.74%
Capital lease obligations	1,075	704	1,553	1,678	2,628	2,382	10.33%
	<u>\$ 10,468</u>	<u>\$ 10,440</u>	<u>\$ 15,241</u>	<u>\$ 11,998</u>	<u>\$ 25,709</u>	<u>\$ 22,438</u>	14.58%

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the finance department for information, at the City of Tega Cay, 7725 Tega Cay Drive, Tega Cay, South Carolina 29708.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF TEGA CAY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,010,663	\$ 552,624	\$ 4,563,287
Cash and cash equivalents, restricted	43,039	622,263	665,302
Receivables (net of allowances for uncollectibles)			
Taxes	190,549	-	190,549
Water and sewer	-	418,252	418,252
Intergovernmental	43,028	-	43,028
Other	183,693	62,315	246,008
Prepays	40,992	46,669	87,661
Inventory	66,877	-	66,877
Internal balances	1,099	-	1,099
Capital assets			
Non-depreciable	5,859,605	6,398,697	12,258,302
Depreciable, net	13,035,246	13,898,249	26,933,495
<b>Total Assets</b>	<b>23,474,791</b>	<b>21,999,069</b>	<b>45,473,860</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	50,181	121	50,302
Deferred outflows related to pensions	1,846,382	490,081	2,336,463
<b>Total Deferred Outflows of Resources</b>	<b>1,896,563</b>	<b>490,202</b>	<b>2,386,765</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	399,617	288,856	688,473
Customer water deposits	-	91,365	91,365
Bail bonds	3,385	-	3,385
Due to developers	38,011	-	38,011
Due to other governmental units	8,087	-	8,087
Internal balances	-	1,099	1,099
Unearned revenues	45,568	-	45,568
Long-term liabilities			
Due within one year			
General obligation bonds	521,669	26,331	548,000
Revenue bonds	-	548,501	548,501
Notes payable	56,950	-	56,950
Capital leases	386,203	193,837	580,040
Compensated absences	233,548	15,116	248,664
Due in more than one year			
Due to developers	-	169,010	169,010
General obligation bonds	8,164,000	-	8,164,000
Revenue bonds	-	12,943,228	12,943,228
Notes payable	367,456	-	367,456
Capital leases	689,032	1,359,320	2,048,352
Net pension liability	6,038,543	1,475,833	7,514,376
Unamortized bond premium	283,414	418	283,832
<b>Total Liabilities</b>	<b>17,235,483</b>	<b>17,112,914</b>	<b>34,348,397</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	3,181	1,603	4,784
<b>Total Deferred Inflows of Resources</b>	<b>3,181</b>	<b>1,603</b>	<b>4,784</b>
<b>Net Position</b>			
Investment in capital assets, net of related debt	8,426,127	5,225,729	13,651,856
Restricted	92,751	622,263	715,014
Unrestricted	(386,188)	(473,238)	(859,426)
<b>Total Net Position</b>	<b>\$ 8,132,690</b>	<b>\$ 5,374,754</b>	<b>\$ 13,507,444</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TEGA CAY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
<b>Primary Government</b>								
Governmental Activities:								
General government	\$ 1,463,746	\$ 1,226,138	\$ -	\$ -	\$ (237,608)	\$ -	\$ -	\$ (237,608)
Developmental services	538,794	940,162	-	-	401,368	-	-	401,368
Public works	903,940	650	-	-	(903,290)	-	-	(903,290)
Police	2,548,745	157,338	61,155	-	(2,330,252)	-	-	(2,330,252)
Fire services	1,293,534	-	-	-	(1,293,534)	-	-	(1,293,534)
Community events and services	168,050	5,872	-	-	(162,178)	-	-	(162,178)
Parks and recreation	591,481	397,325	-	-	(194,156)	-	-	(194,156)
Non-departmental	1,454,724	-	-	-	(1,454,724)	-	-	(1,454,724)
Beach and swim club	192,880	181,600	-	-	(11,280)	-	-	(11,280)
Golf course	1,469,116	1,438,273	-	-	(30,843)	-	-	(30,843)
Interest and fiscal charges	239,613	-	-	-	(239,613)	-	-	(239,613)
<b>Total Governmental Activities</b>	<b>10,864,623</b>	<b>4,347,358</b>	<b>61,155</b>	<b>-</b>	<b>(6,456,110)</b>	<b>-</b>	<b>-</b>	<b>(6,456,110)</b>
<b>Business-type Activities:</b>								
Water and sewer	4,296,697	4,210,999	-	-	-	(85,698)	(85,698)	(85,698)
Stormwater	483,612	480,363	-	-	-	(3,249)	(3,249)	(3,249)
<b>Total Business-type Activities</b>	<b>4,780,309</b>	<b>4,691,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,947)</b>	<b>(88,947)</b>	<b>(88,947)</b>
<b>Total Primary Government</b>	<b>\$ 15,644,932</b>	<b>\$ 9,038,720</b>	<b>\$ 61,155</b>	<b>\$ -</b>	<b>(6,456,110)</b>	<b>(88,947)</b>	<b>(88,947)</b>	<b>(6,545,057)</b>
<b>General Revenues</b>								
Taxes								
Property taxes					4,831,550	-	-	4,831,550
Local hospitality taxes					243,105	-	-	243,105
Franchise taxes					494,116	-	-	494,116
Miscellaneous					402,286	21,261	-	423,547
Intergovernmental revenue					174,314	-	-	174,314
Interest revenue					2,874	2,204	-	5,078
Insurance recoveries					21,485	-	-	21,485
Loss on disposal of capital assets					(134,497)	-	-	(134,497)
<b>Total General Revenues</b>					<b>6,035,233</b>	<b>23,465</b>	<b>-</b>	<b>6,058,698</b>
<b>Change in Net Position</b>					<b>(420,877)</b>	<b>(65,482)</b>	<b>-</b>	<b>(486,359)</b>
<b>Net Position, beginning</b>					<b>8,553,567</b>	<b>5,440,236</b>	<b>-</b>	<b>13,993,803</b>
<b>Net Position, ending</b>					<b>\$ 8,132,690</b>	<b>\$ 5,374,754</b>	<b>\$ -</b>	<b>\$ 13,507,444</b>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**CITY OF TEGA CAY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,320,202	\$ 1,690,461	\$ 4,010,663
Cash and cash equivalents, restricted	43,039	-	43,039
Receivables (net of allowances for uncollectibles)			
Taxes	190,549	-	190,549
Intergovernmental	43,028	-	43,028
Other	108,085	75,608	183,693
Due from other funds	27,019	2,436	29,455
Prepays	30,140	10,852	40,992
Inventory	-	66,877	66,877
<b>Total Assets</b>	<u><u>\$ 2,762,062</u></u>	<u><u>\$ 1,846,234</u></u>	<u><u>\$ 4,608,296</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 95,998	\$ 96,034	\$ 192,032
Other accrued liabilities	161,185	36,901	198,086
Bail bonds	3,385	-	3,385
Due to other funds	-	28,356	28,356
Due to other governmental units	8,087	-	8,087
Due to developers	38,011	-	38,011
Unearned revenue	-	45,568	45,568
<b>Total Liabilities</b>	<u>306,666</u>	<u>206,859</u>	<u>513,525</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	145,276	-	145,276
<b>Total Deferred Inflows of Resources</b>	<u>145,276</u>	<u>-</u>	<u>145,276</u>
<b>Fund Balances</b>			
Nonspendable	30,140	77,729	107,869
Restricted	92,751	1,302,485	1,395,236
Committed	-	70,734	70,734
Unassigned	2,187,229	188,427	2,375,656
<b>Total Fund Balances</b>	<u>2,310,120</u>	<u>1,639,375</u>	<u>3,949,495</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 2,762,062</u></u>	<u><u>\$ 1,846,234</u></u>	<u><u>\$ 4,608,296</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TEGA CAY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE**  
**SHEET WITH THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

<b>Fund Balance - Governmental Funds</b>		<b>\$ 3,949,495</b>
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
The cost of capital assets is	27,752,857	
Accumulated depreciation is	<u>(8,858,006)</u>	18,894,851
<p>Bond premiums and deferred costs incurred in governmental activities are recognized as other financing sources in the year they occur.</p>		
		(233,233)
<p>Accrued interest on bonds in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds.</p>		
		(9,499)
<p>Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at year end consist of:</p>		
Bonds payable	(8,685,669)	
Capital lease obligations	(1,075,235)	
Notes payable	(424,406)	
Compensated absences payable	<u>(233,548)</u>	(10,418,858)
<p>Certain other long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
Net pension liability		(6,038,543)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	1,846,382	
Deferred inflows of resources related to pensions	<u>(3,181)</u>	1,843,201
<p>Deferred revenue related to property tax is not a liability in governmental activities.</p>		
		<u>145,276</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u>8,132,690</u></b>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 4,809,272	\$ 243,105	\$ 5,052,377
Fines, fees, licenses and permits	3,215,729	-	3,215,729
Intergovernmental	174,314	-	174,314
Golf	-	1,438,273	1,438,273
Event fees	-	5,872	5,872
Grants	61,155	-	61,155
Sponsorships	21,168	-	21,168
Membership dues	-	170,413	170,413
Rentals	86,406	4,000	90,406
Interest	1,427	1,447	2,874
Drug seizures	-	4,948	4,948
Other	274,981	21,970	296,951
<b>Total Revenues</b>	<b>8,644,452</b>	<b>1,890,028</b>	<b>10,534,480</b>
<b>Expenditures</b>			
General government	923,722	-	923,722
Developmental services	538,295	-	538,295
Public works	768,157	-	768,157
Police	2,368,369	4,699	2,373,068
Fire services	1,217,101	-	1,217,101
Community events and services	-	168,050	168,050
Parks and recreation	550,455	-	550,455
Non-departmental	1,454,724	-	1,454,724
Beach and swim club	-	156,256	156,256
Golf club management	-	1,183,549	1,183,549
Capital outlay	2,587,225	731,806	3,319,031
Debt service			
Principal	579,396	167,588	746,984
Interest	237,773	12,025	249,798
<b>Total Expenditures</b>	<b>11,225,217</b>	<b>2,423,973</b>	<b>13,649,190</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,580,765)</b>	<b>(533,945)</b>	<b>(3,114,710)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issuance	189,611	608,000	797,611
Sale of general capital assets	38,900	-	38,900
Insurance recoveries	21,485	-	21,485
Transfers in/(out)			
Beach and Swim Club Fund	8,288	(8,288)	-
<b>Total Other Financing Sources (Uses)</b>	<b>258,284</b>	<b>599,712</b>	<b>857,996</b>
<b>Net Change in Fund Balances</b>	<b>(2,322,481)</b>	<b>65,767</b>	<b>(2,256,714)</b>
<b>Fund Balances, beginning</b>	<b>4,632,601</b>	<b>1,573,608</b>	<b>6,206,209</b>
<b>Fund Balances, ending</b>	<b>\$ 2,310,120</b>	<b>\$ 1,639,375</b>	<b>\$ 3,949,495</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TEGA CAY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (2,256,714)</b>
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because (see Note 1, also)</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation in the period.</p>		
Capital outlay	3,319,031	
Depreciation expense	<u>(860,855)</u>	2,458,176
<p>The net effect of sales and other transactions involving capital assets.</p>		
		(173,397)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		746,984
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used. This is the change in compensated absences.</p>		
		(26,387)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		(5,402)
<p>Governmental funds report the effects of premiums, discounts, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		15,587
<p>Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State Retirement Plans are not reported in the governmental funds but are reported in the Statement of Activities.</p>		
		(404,391)
<p>Deferred revenue is recorded in governmental funds as a reduction in revenue. Deferred revenue related to property tax is not recorded in the Statement of Activities.</p>		
		22,278
<p>Issuance of long-term debt is reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of capital leases		(585,611)
Issuance of notes payable		<u>(212,000)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (420,877)</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TEGA CAY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,794,636	\$ 4,817,400	\$ 4,809,272	\$ (8,128)
Fines, fees, licenses and permits	3,413,503	3,255,075	3,215,729	(39,346)
Intergovernmental	164,396	180,452	174,314	(6,138)
Other	113,682	445,039	445,137	98
<b>Total Revenues</b>	<u>8,486,217</u>	<u>8,697,966</u>	<u>8,644,452</u>	<u>(53,514)</u>
<b>Expenditures</b>				
General government	919,889	912,626	923,722	(11,096)
Development services	556,685	537,620	538,295	(675)
Public works	809,830	776,398	768,157	8,241
Police	2,255,917	2,305,212	2,368,369	(63,157)
Fire services	1,141,806	1,211,884	1,217,101	(5,217)
Parks and recreation	543,038	534,839	550,455	(15,616)
Non-departmental	1,331,318	1,436,977	1,454,724	(17,747)
Capital outlay	91,412	77,544	2,587,225	(2,509,681)
Debt service				
Principal	844,610	841,326	579,396	261,930
Interest	-	-	237,773	(237,773)
<b>Total Expenditures</b>	<u>8,494,505</u>	<u>8,634,426</u>	<u>11,225,217</u>	<u>(2,590,791)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(8,288)</u>	<u>63,540</u>	<u>(2,580,765)</u>	<u>(2,644,305)</u>
<b>Other Financing Sources</b>				
Proceeds from capital leases	-	-	189,611	189,611
Insurance recoveries	-	-	38,900	38,900
Sale of general capital assets	-	-	21,485	21,485
Transfers in/(out)				
Beach and Swim Club fund	8,288	8,288	8,288	-
<b>Total Other Financing Sources</b>	<u>8,288</u>	<u>8,288</u>	<u>258,284</u>	<u>249,996</u>
<b>Net Change in Fund Balances</b>	-	71,828	(2,322,481)	(2,394,309)
<b>Fund Balances, beginning</b>	<u>4,632,601</u>	<u>4,632,601</u>	<u>4,632,601</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 4,632,601</u>	<u>\$ 4,704,429</u>	<u>\$ 2,310,120</u>	<u>\$ (2,394,309)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

Assets	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Current Assets</b>			
Cash and cash equivalents	\$ 427,711	\$ 124,913	\$ 552,624
Receivables (net of allowance for doubtful accounts)			
Water and sewer	418,252	-	418,252
Other	62,315	-	62,315
Due from other funds	21,311	-	21,311
Prepaid expenses	36,927	9,742	46,669
<b>Total Current Assets</b>	<b>966,516</b>	<b>134,655</b>	<b>1,101,171</b>
<b>Noncurrent Assets</b>			
Restricted cash	622,263	-	622,263
Capital assets			
Non-depreciable	6,398,697	-	6,398,697
Depreciable, net	13,643,715	254,534	13,898,249
<b>Total Noncurrent Assets</b>	<b>20,664,675</b>	<b>254,534</b>	<b>20,919,209</b>
<b>Total Assets</b>	<b>21,631,191</b>	<b>389,189</b>	<b>22,020,380</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	-	121	121
Deferred outflows related to pensions	394,991	95,090	490,081
<b>Total Deferred Outflows of Resources</b>	<b>394,991</b>	<b>95,211</b>	<b>490,202</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	155,235	4,217	159,452
Accrued interest payable	129,404	-	129,404
Compensated absences	14,866	250	15,116
Customer deposits	91,365	-	91,365
Due to other funds	-	22,410	22,410
Capital leases - current	183,864	9,973	193,837
Revenue bonds - current	548,501	-	548,501
General obligation bonds - current	-	26,331	26,331
<b>Total Current Liabilities</b>	<b>1,123,235</b>	<b>63,181</b>	<b>1,186,416</b>
<b>Noncurrent Liabilities</b>			
Due to developers	169,010	-	169,010
Capital leases - noncurrent	1,338,842	20,478	1,359,320
Revenue bonds - noncurrent	12,943,228	-	12,943,228
General obligation bonds - noncurrent	-	-	-
Unamortized bond premium	-	418	418
Net pension liability	1,189,477	286,356	1,475,833
<b>Total Noncurrent Liabilities</b>	<b>15,640,557</b>	<b>307,252</b>	<b>15,947,809</b>
<b>Total Liabilities</b>	<b>16,763,792</b>	<b>370,433</b>	<b>17,134,225</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	1,292	311	1,603
<b>Total Deferred Inflows of Resources</b>	<b>1,292</b>	<b>311</b>	<b>1,603</b>
<b>Net Position</b>			
Investment in capital assets, net of related debt	5,027,977	197,752	5,225,729
Restricted for debt service	622,263	-	622,263
Unrestricted (deficit)	(389,142)	(84,096)	(473,238)
<b>Total Net Position</b>	<b>\$ 5,261,098</b>	<b>\$ 113,656</b>	<b>\$ 5,374,754</b>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
 NET POSITION  
 YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Operating Revenues</b>			
Stormwater compliance fees	\$ -	\$ 480,363	\$ 480,363
Tap fees	323,818	-	323,818
Irrigation tap	38,600	-	38,600
Water fees	1,846,461	-	1,846,461
Sewer fees	1,950,257	-	1,950,257
Water activation fees	27,750	-	27,750
Reconnect fees	18,275	-	18,275
Penalties	5,838	-	5,838
Other	21,261	-	21,261
<b>Total Operating Revenues</b>	<b>4,232,260</b>	<b>480,363</b>	<b>4,712,623</b>
<b>Operating Expenses</b>			
Salaries	749,725	171,032	920,757
Employee benefits	400,759	99,467	500,226
Water purchased	583,743	-	583,743
Sewer treatment fees	432,947	-	432,947
Sewer clean-out	6,384	-	6,384
Water testing	4,885	-	4,885
Permits	-	-	-
Legal and professional services	107,473	22,478	129,951
Meters and supplies	146,239	-	146,239
Administration expense	14,958	-	14,958
Training and education	8,532	-	8,532
Auto expense	20,017	16,040	36,057
Cell phone	8,084	1,996	10,080
Meter reading	102	-	102
Billing	37,201	1,954	39,155
Chemicals	69,144	-	69,144
Sludge hauling	81,438	-	81,438
Treatment plant maintenance	99,267	-	99,267
Equilization tank	186,627	-	186,627
Miscellaneous	9,677	5,745	15,422
Depreciation	658,663	36,366	695,029
Utilities	127,946	-	127,946
Office supplies	764	-	764
Lift station maintenance	68,688	-	68,688
Vehicle maintenance	11,955	38,395	50,350
Software maintenance	24,473	-	24,473
Equipment	4,611	-	4,611
Dues and subscriptions	1,065	-	1,065
SDW act	7,855	-	7,855
Water tower maintenance	19,832	-	19,832
Drainage maintenance materials	-	84,679	84,679
Insurance	12,881	3,984	16,865
<b>Total Operating Expenses</b>	<b>3,905,935</b>	<b>482,136</b>	<b>4,388,071</b>
<b>Operating Income</b>	<b>326,325</b>	<b>(1,773)</b>	<b>324,552</b>

(continued)

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
 NET POSITION (continued)  
 YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities		Total Enterprise Funds
	Utility Fund 1	Stormwater Fund	
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	\$ 2,204	\$ -	\$ 2,204
Interest expense and fiscal charges	(390,762)	(1,476)	(392,238)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(388,558)</u>	<u>(1,476)</u>	<u>(390,034)</u>
<b>Change in Net Position</b>	(62,233)	(3,249)	(65,482)
<b>Net Position, beginning</b>	<u>5,323,331</u>	<u>116,905</u>	<u>5,440,236</u>
<b>Net Position, ending</b>	<u>\$ 5,261,098</u>	<u>\$ 113,656</u>	<u>\$ 5,374,754</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 4,318,010	\$ 480,363	\$ 4,798,373
Payments to suppliers	(1,978,199)	(96,773)	(2,074,972)
Payments to employees	(1,143,251)	(270,499)	(1,413,750)
<b>Net Cash Provided by Operating Activities</b>	<u>1,196,560</u>	<u>113,091</u>	<u>1,309,651</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(4,241,505)	-	(4,241,505)
Capital lease proceeds	84,119	-	84,119
Bond proceeds	3,821,493	-	3,821,493
Principal payments on bonds	(427,075)	(26,818)	(453,893)
Principal payments on leases	(159,644)	(49,578)	(209,222)
Principal payments on developer advances	-	-	-
Interest and fiscal charges paid	(390,762)	(1,476)	(392,238)
<b>Net Cash (Used) by Capital and   Related Financing Activities</b>	<u>(1,313,374)</u>	<u>(77,872)</u>	<u>(1,391,246)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on cash and cash equivalents	2,204	-	2,204
<b>Net Cash Provided by Investing Activities</b>	<u>2,204</u>	<u>-</u>	<u>2,204</u>
<b>Net Increase in Cash</b>	(114,610)	35,219	(79,391)
<b>Cash and Cash Investments, Beginning</b>	<u>1,164,584</u>	<u>89,694</u>	<u>1,254,278</u>
<b>Cash and Cash Investments, Ending</b>	<u>\$ 1,049,974</u>	<u>\$ 124,913</u>	<u>\$ 1,174,887</u>
<b>Reconciliation of Operating Income to Net Cash Provided   by Operating Activities</b>			
Operating income	\$ 326,325	\$ (1,773)	\$ 324,552
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	658,663	36,366	695,029
Changes in assets and liabilities			
Receivables, net	97,711	-	97,711
Prepaid expenses	(23,466)	(9,742)	(33,208)
Accounts payable and accrued expenses	70,105	(1,489)	68,616
Deferred inflows/outflows related to pensions	(153,026)	(36,839)	(189,865)
Deferred charge on refunding	-	241	241
Compensated absences	3,877	(1,268)	2,609
Customer deposits	9,300	-	9,300
Net pension liability	266,782	64,226	331,008
Due to/from other funds	(59,711)	63,369	3,658
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,196,560</u>	<u>\$ 113,091</u>	<u>\$ 1,309,651</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF TEGA CAY

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tega Cay (the "City") is a municipal corporation of the state of South Carolina located in York County, and as such possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The financial statements of the City of Tega Cay, South Carolina, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **Reporting Entity**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity include whether: the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City. Based in these criteria, the City of Tega Cay has no component units.

#### **Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

#### *Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the City, except for any fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods and services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to

a particular function. The City does not allocate indirect cost. *Program revenues* include charges paid by the recipients of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

### *Fund Financial Statements*

Separate fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The funds of the City are described below:

### *Governmental Funds*

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund is the City's only major governmental fund.

### *General Fund*

The General Fund accounts for and reports all financial resources of the general government except those required to be accounted for and reported in another fund.

### *Special Revenue Funds*

Special Revenue Funds are used to account for and report specific revenue sources that are restricted or committed to expenditures for specified current purposes other than debt service and capital projects. The City has seven Special Revenue Funds as described below:

*Memorial Fund* - The Memorial Fund is used to account for the receipt of memorial gifts and expenditures relating to planting of trees and beautification projects on city property.

*Police Fund* - The Police Fund is used to account for receipts relating to drug seizures.

*Beach and Swim Club Fund* - The Beach and Swim Club Fund is used to account for the membership dues and expenditures relating to the beach and swim club.

*Golf Club Fund* - The Golf Club Fund is used to account for the revenues and expenditures of the Tega Cay Golf and Conference Center.

*Hospitality Tax Fund* - The Hospitality Tax Fund is used to account for receipts from the hospitality tax collected from local businesses and expenditures relating to tourism promotion.

*Events and Tourism Fund* – The Events and Tourism Fund was established for purposes of providing for orderly administration and funding of Community Events and allocation of hospitality funds collected for tourism and related functions.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund:

#### ***Enterprise Funds***

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The City has two Enterprise Funds as described below:

*Utility Funds* - The Utility Funds are used to account for the financial transactions related to the water and sewer service provided to the residents of the City.

*Stormwater Fund* - The Stormwater Fund is used to account for the financial transactions related to the stormwater services provided to the residents of the City.

## **Measurement Focus and Basis of Accounting**

### **Measurement Focus**

#### ***Government-wide Financial Statements***

The government-wide financial statements are prepared using a flow of *economic resources measurement focus*. All assets and liabilities associated with the operation of the City are included on the statement of net position.

#### ***Fund Financial Statements***

All governmental fund financial statements are accounted for using the *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the

City finances and meets the cash flow of its proprietary fund.

### **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after yearend. Items such as property taxes, business licenses, franchise fees, grants, and state-shared revenue are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first, then unrestricted resources as they are needed.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

### **Cash, Cash Equivalents and Investments**

#### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts in demand deposits, and restricted cash and short-term investments with original maturities of three months or less.

#### *Investments*

Investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools. Investment policies of the City must operate within existing state statutes of the State of South Carolina, which authorizes what the City may and may not invest in.

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at yearend and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable.

Nonexchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

## **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

## **Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **Restricted Assets**

Certain proceeds of governmental and business-type activities revenue bonds, as well as certain resources set aside for their repayment and maintenance of capital assets, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

## **Capital Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### *Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to October 1, 2003. The City maintains a capitalization policy of \$5,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Interest incurred during construction is not capitalized for general capital assets.

Prior to October 1, 2003, governmental funds’ infrastructure was not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Water and sewer system	40 years
Furniture and equipment	5-10 years
Vehicles	10 years
Infrastructure	40 years

## *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

### **Compensated Absences**

The City of Tega Cay reports Compensated Absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." The City's policies regarding vacation and sick leave permit employees to accumulate earned but unused vacation leave. Upon termination of employment, an employee is reimbursed for accumulated vacation days. Employees, upon termination of employment, do not receive compensation for accumulated and unused sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

### **Equity Classifications**

#### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

*Invested in capital assets, net of related debt* – consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* – consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

#### *Fund Equity*

The City reports fund balance classifications in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The City classifies governmental fund balances as follows:

*Nonspendable* – includes amounts that inherently cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

*Committed* – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed; in addition, such assignments are made by City Council or by the City Manager.

*Unassigned* – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

### **Interfund Transactions**

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Bond issuance costs and bond premiums are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Amortization of bond issuance costs and premiums are included in interest expense. The long-term debt consists primarily of bonds payable, capital leases, installment loans and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **Deferred Revenue**

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Federal, state and private program revenues received and not yet expended by the City are recorded as deferred revenue.

In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the program proceeds, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

### **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Restricted assets in the General Fund include funds set aside for the construction of a community center; and in the Utility Fund, primarily, include reserves for repaying long-term debt and water meter deposits.

### **Statement of Cash Flows**

For purposes of the statement of cash flows, the City's Proprietary Fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### **Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **New Pronouncements - Implementation of GASB Statement 77**

The GASB issued Statement No. 77, "Tax Abatement Disclosures" in August 2015. Statement No. 77 is effective for the City for the fiscal year ended June 30, 2017.

The primary objective of GASB Statement No. 77 is to provide tax abatement information to financial statement users so that they can more readily evaluate a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax

abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Although many governments offer tax abatements, the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future, is lacking. GASB No. 77 requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The adoption of GASB No. 77 had no impact on the City's financial.

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

**Budgetary Information**

As required by State statutes, prior to October 1 each year the City Council adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, certain Special Revenue Funds, and the Proprietary Fund. Annual budgets are not adopted for the Memorial and Police funds. There is also no operating budget adopted for the Capital Projects Fund, as funds are budgeted on a total project basis.

The City Manager is authorized to transfer budgeted amounts within any fund as necessary to achieve the goals of the budget provided, however, that no such transfers shall be used to increase the total appropriation of any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are reported as originally adopted and as amended by the City Council.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results of operations. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The State of South Carolina General Statutes permits the City to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where the fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

As of September 30, 2017, the City had deposits and investments as follows:

Deposits with financial institutions	<u>\$ 5,473,418</u>
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*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to the State's investment pools which do not normally have maturity dates and can be withdrawn on demand.

*Concentration of credit risk.* The City's investment policy currently does not involve investment in any individual issuers.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. As of September 30, 2017, deposits are fully collateralized.

#### **NOTE 4 – PROPERTY TAXES**

The City of Tega Cay assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the York County Auditor and the assessment for City tax purposes is the same as that levied by the County Auditor. Taxes are payable between September 30 and January 15 following their assessment. Unpaid amounts after January 15 are considered to be delinquent and are subject to penalties for late payment. New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department, and payment is due before the end of the month of the scheduled renewal.

The millage rate was 89.0 for the 2016 tax year and the assessed valuation of real property was \$47,997,201. The purpose of the levies was for current expenditures and to defray public expenditures of the City as well as to meet current indebtedness contracted by the City for general corporate purposes.

#### **NOTE 5 – RECEIVABLES**

Property tax receivables and other receivables at September 30, 2017, consist of the following:

	<u>General Fund</u>
Property Tax Receivables:	
Real property	\$ 149,663
Vehicle	47,886
Less: allowance for uncollectibles	<u>(7,000)</u>
Total Property Tax Receivables	<u>\$ 190,549</u>
Other Receivables:	
Franchise fees	\$ 108,085
Total Other Receivables	<u>\$ 108,085</u>

In the fund statements, property taxes have been recorded as an asset, offset by deferred revenues for the amount of delinquent property taxes, which were not collected within 60 days after the fiscal yearend. The modified accrual method of accounting is used and does not recognize revenue, which is not measurable and available to finance expenditures of the fiscal period.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the City’s governmental activities for the year ended September 30, 2017, was as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,859,605	\$ -	\$ -	\$ 5,859,605
Construction in progress	99,623	-	(99,623)	-
Total Capital Assets, Not Being Depreciated	<u>5,959,228</u>	<u>-</u>	<u>(99,623)</u>	<u>5,859,605</u>
Capital assets, being depreciated				
Buildings, improvements and fixed structures	10,552,972	2,478,840	-	13,031,812
Infrastructure	3,538,361	200,000	-	3,738,361
Furniture and equipment	2,453,888	475,771	(386,056)	2,543,603
Vehicles	2,357,806	264,043	(42,373)	2,579,476
Total Capital Assets, Being Depreciated	<u>18,903,027</u>	<u>3,418,654</u>	<u>(428,429)</u>	<u>21,893,252</u>
Less: accumulated depreciation				
Buildings, improvements and fixed structures	(4,065,093)	(333,302)	-	(4,398,395)
Infrastructure	(757,644)	(115,623)	-	(873,267)
Furniture and equipment	(1,765,536)	(191,891)	218,765	(1,738,662)
Vehicles	(1,663,910)	(220,039)	36,267	(1,847,682)
Total Accumulated Depreciation	<u>(8,252,183)</u>	<u>(860,855)</u>	<u>255,032</u>	<u>(8,858,006)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,650,844</u>	<u>2,557,799</u>	<u>(173,397)</u>	<u>13,035,246</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,610,072</u>	<u>\$ 2,557,799</u>	<u>\$ (273,020)</u>	<u>\$ 18,894,851</u>

Depreciation expense to governmental activities was charged to functions as follows:

General government	\$ 129,036
Developmental services	499
Public works	129,187
Fire services	76,433
Police	162,483
Parks and recreation	41,026
Beach and swim	36,624
Golf course	285,567
Total depreciation	<u>\$ 860,855</u>

Capital asset activity for the City's business-type activities for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Water system	\$ 2,577,204	\$ 3,821,493	\$ -	\$ 6,398,697
Total Capital Assets, Not Being Depreciated	2,577,204	3,821,493	-	6,398,697
Capital assets, being depreciated				
Water system	17,614,885	317,346	-	17,932,231
Legal and engineering fees	150,289	-	-	150,289
Vehicles and equipment	960,034	102,666	-	1,062,700
Software	35,699	-	-	35,699
Total Capital Assets, Being Depreciated	18,760,907	420,012	-	19,180,919
Less: accumulated depreciation				
Water system	(3,926,958)	(567,593)	-	(4,494,551)
Legal and engineering fees	(80,153)	(5,010)	-	(85,163)
Vehicles and equipment	(544,831)	(122,426)	-	(667,257)
Software	(35,699)	-	-	(35,699)
Total Accumulated Depreciation	(4,587,641)	(695,029)	-	(5,282,670)
Total Capital Assets, Being Depreciated, Net	14,173,266	(275,017)	-	13,898,249
Business-Type Activities Capital Assets, Net	\$ 16,750,470	\$ 3,546,476	\$ -	\$ 20,296,946

#### NOTE 7 – LONG-TERM DEBT

The City issues bonds and notes to provide funds for the acquisition and construction of major capital facilities. The City uses capital leases to provide funds for the purchase vehicles and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds are obligations of the City that are secured by revenue from the water and sewer funds.

In March 2013, the City issued its General Obligation Refunding Bonds Series 2013 in the amount of \$7,180,000, with interest rates ranging between 2.00% and 3.00%, to provide resources to currently refund the outstanding General Obligation Bonds Series 2009, General Obligation Bonds Series 2008 and General Obligation Bonds Series 2006 in the amount of \$316,871, \$224,760 and \$407,141, respectively, and to advance refund a portion of the outstanding General Obligation Bonds Series 2005 in the amount of \$5,820,000. The City deposited \$6,382,178 of the net proceeds in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for all future debt service on the refunded portion of the Series 2005 Bonds.

As a result, the Series 2009, 2008, and 2006 Bonds were redeemed in March 2013. The refunded portion of the Series 2005 Bonds is considered to be defeased until redemption in April 2015. Accordingly, the liability for the refunded bonds has been removed from the governmental activities column in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$83,957. This amount is being netted against the new debt and is being amortized over the life of the new debt, which has the same life as the old debt. This refunding was undertaken to reduce total debt service payments over the next 17 years by \$554,614 and will result in an economic gain of \$527,024 (the difference between the present values of the debt service payments on the old and new debt). The remaining outstanding balance of the debt considered defeased as of September 30, 2014 was \$5,820,000.

In June 2014, the City issued the Waterworks and Sewer System Improvement and Refunding Revenue Bond, Series 2014, in the amount of \$7,900,000 to provide resources to refund the Series 2011 Revenue Bond and to fund the purchase of an existing water and sewer infrastructure system. The City redeemed the 2011 Bond immediately upon delivery of the 2014 Bond.

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Principal  
Outstanding at  
Year End

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**General Obligation Bonds**

\$850,000 General Obligation Bonds Series 2012 was issued in June 2012 to provide funds to finance the purchase of the new City Hall. Principal payments are due in annual installments ranging from \$45,000 to \$70,000 each June 1. The interest rate of the Series 2012 Bonds is 3.04% and is payable semi-annually on each June 1 and December 1. The bonds range in maturity dates from 2013 to 2027.

\$ 613,000

\$7,180,000 General Obligation Refunding Bonds Series 2013, issued in March 2013, refunded the Series 2006, 2008 and 2008 General Obligation Bonds and partially refunded the Series 2005 General Obligation Bonds. Principal payments are due in annual installments ranging from \$160,000 to \$495,000 each April 1. The interest rates range from 2.0% to 3.0% and are payable semi-annually on each April 1 and October 1. The bonds range in maturity dates from 2014 to 2030.

5,915,000

\$2,184,000 General Obligation Bonds Series 2016 was issued in July 2016 to provide funds to finance the construction of a new fire department. Principal payments are due in annual installments ranging from \$154,000 to \$213,000 each April 1. The interest rate of the Series 2016 Bonds is 2.010% and is payable semi-annually on each April 1 and October 1. The bonds mature in 2031.

2,184,000

**Revenue Bonds**

\$7,900,000 Revenue Refunding Bond Series 2014, issued in June 2014 used to refund the Series 2011 Revenue Bonds in the amount of \$1,448,000, with remaining proceeds funding the purchase of a water and sewer infrastructure system. The bonds are payable from revenues of the purchased system operations. Principal payments are due in annual installments ranging from \$53,000 to \$543,000 through June 2034 with

7,221,000

On December 17, 2015, the City closed on the Waterworks and Sewer System Revenue Parity Bond, Series 2015, a State Revolving Fund loan, with total available funding in the amount of \$6,757,377. Total drawn against this loan at September 30, 2017 is \$6,492,879. The purpose of the loan is sewer rehabilitation of purchased private utility. Repayment of the principal and interest is due in 120 quarterly installments, with the first payment made April 1, 2017. The loan carries interest at 2.00% per annum.

6,270,729

Total

\$ 22,203,729

The following is a schedule of annual debt service requirements to maturity for the City's Governmental Activities outstanding bonds:

Fiscal Year Ending September 30,	Principal	Interest	Total
2018	\$ 521,669	\$ 227,246	\$ 748,915
2019	510,000	211,510	721,510
2020	684,000	196,188	880,188
2021	652,000	177,171	829,171
2022	673,000	159,161	832,161
2023-2027	3,394,000	543,065	3,937,065
2028-2031	2,251,000	128,607	2,379,607
	<u>\$ 8,685,669</u>	<u>\$ 1,642,948</u>	<u>\$ 10,328,617</u>

The following is a schedule of annual debt service requirements to maturity for the City's Business-type Activities outstanding bonds and notes payable:

Fiscal Year Ending September 30,	Principal	Interest	Total
2018	\$ 574,831	\$ 360,828	\$ 935,659
2019	570,045	345,353	915,398
2020	581,680	329,973	911,653
2021	595,409	314,279	909,688
2022	619,234	298,205	917,439
2023-2027	3,337,003	1,231,216	4,568,219
2028-2032	3,804,053	751,958	4,556,011
2033-2037	2,548,514	254,929	2,803,443
2038-2042	651,843	99,254	751,097
2043-2047	644,922	31,067	675,989
	<u>\$ 13,927,534</u>	<u>\$ 4,017,062</u>	<u>\$ 17,944,596</u>

This schedule includes the debt payments related to the Waterworks and Sewer System Revenue Parity Bond, Series 2015. The total funds related to the bond issue equal \$6,791,278. The amount drawn at September 30, 2017 is \$6,381,804. The schedule represents the payments for the entire bond issue as the City expects to draw the remainder of the proceeds during the next fiscal year.

#### *Capital Leases*

The City has entered into lease agreements as lessee for financing the acquisition of software, golf course equipment, police vehicles and equipment for the City's Governmental Activities. The lease agreements qualify as capital leases for accounting purposes. Amortization of assets under capital leases for the year ended September 30, 2017 was \$147,654 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Vehicles	\$ 476,499
Equipment	<u>1,147,872</u>
	1,624,371
Less accumulated amortization	<u>(201,719)</u>
	<u>\$ 1,422,652</u>

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

Fiscal Year Ending September 30,	General Long-term Debt
2018	\$ 404,527
2019	277,865
2020	247,062
2021	<u>186,862</u>
Total lease payments	1,116,316
Less: amount representing interest	<u>(41,081)</u>
Present value of minimum lease payments	<u>\$ 1,075,235</u>

The City has entered into lease agreements as lessee for financing of the proprietary funds' acquisition of vehicles and equipment. The lease agreements qualify as capital leases for accounting purposes. Amortization of assets under capital leases for the year ended September 30, 2017 was \$131,834 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Utility vehicles and equipment	\$ 1,810,589
Less accumulated amortization	<u>(196,148)</u>
	<u>\$ 1,614,441</u>

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

Fiscal Year Ending September 30,	General Long-term Debt
2018	\$ 230,309
2019	201,049
2020	201,049
2021	182,822
2022	160,778
Thereafter	779,056
Total lease payments	1,755,063
Less: amount representing interest	(201,906)
Present value of minimum lease payments	<u>\$ 1,553,157</u>

### *Note Payable*

The City has entered into note payable agreements for additions of improvements and fixed structures. The notes mature 2021 and 2026.

Annual debt requirements for the notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2018	\$ 56,950	\$ 10,061	\$ 67,011
2019	58,292	8,720	67,012
2020	59,665	7,348	67,013
2021	60,929	5,942	66,871
2022	53,502	4,526	58,028
2023-2026	135,068	5,744	140,812
	<u>\$ 424,406</u>	<u>\$ 42,341</u>	<u>\$ 466,747</u>

### *Due to Developers*

During the years ending September 30, 2007 and 2008, the City was advanced funds from a developer for the construction of a sewer interceptor line. Serenity Point, Inc. agreed to advance \$415,000 for the construction of the interceptor line.

The advances from the developers are to be repaid as follows:

The \$415,000 loan from Serenity Point, Inc. for its portion of the interceptor line construction cost will be repaid by the City with 100% of proceeds from all sewer and water tap fees that are paid to the City from all homes in the Serenity Point subdivision as well as other sources that the City elects. The note is payable in full within three years from the time the planned development district (PDD) has been approved by City Council. During the year ended September 30, 2017, the City collected and reimbursed the developer \$0. The balance outstanding at September 30, 2017 is \$169,010.

**NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in the City’s long-term obligations for the year ended September 30, 2017:

<u>Long-term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
Series 2012	\$ 663,000	\$ -	\$ 50,000	\$ 613,000	\$ 53,000
Series 2013	6,342,931	-	454,262	5,888,669	468,669
Series 2016	2,184,000	-	-	2,184,000	-
Bond Premium	306,239	-	22,825	283,414	22,825
Total Bonds Payable	<u>9,496,170</u>	<u>-</u>	<u>527,087</u>	<u>8,969,083</u>	<u>544,494</u>
<b>Other Liabilities:</b>					
Capital Leases	704,370	585,611	214,746	1,075,235	386,203
Notes Payable	240,382	212,000	27,976	424,406	56,950
Compensated Absences	207,161	233,548	207,161	233,548	233,548
Total Other Liabilities	<u>1,151,913</u>	<u>1,031,159</u>	<u>449,883</u>	<u>1,733,189</u>	<u>676,701</u>
	<u>\$ 10,648,083</u>	<u>\$ 1,031,159</u>	<u>\$ 976,970</u>	<u>\$ 10,702,272</u>	<u>\$ 1,221,195</u>
<b>Business-type Activities:</b>					
<b>General Obligation Bonds:</b>					
Series 2013	\$ 47,931	\$ -	\$ 21,600	\$ 26,331	\$ 26,331
Bond Premium	5,636	-	5,218	418	-
<b>Revenue Bonds:</b>					
Series 2014	7,537,000	-	316,000	7,221,000	323,000
Series 2016	2,560,311	3,821,493	111,075	6,270,729	225,501
Total Bonds Payable	<u>10,150,878</u>	<u>3,821,493</u>	<u>453,893</u>	<u>13,518,478</u>	<u>574,832</u>
<b>Other Liabilities:</b>					
Due to Developers	169,010	-	-	169,010	-
Capital Leases	1,678,260	84,119	209,222	1,553,157	193,837
Compensated Absences	12,507	2,609	-	15,116	15,116
Total Other Liabilities	<u>1,859,777</u>	<u>86,728</u>	<u>209,222</u>	<u>1,737,283</u>	<u>208,953</u>
	<u>\$ 12,010,655</u>	<u>\$ 3,908,221</u>	<u>\$ 663,115</u>	<u>\$ 15,255,761</u>	<u>\$ 783,785</u>

**NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at September 30, 2017, all of which are expected to be received or paid within one year, consisted of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 27,019	\$ -
Special Revenue Funds		
Events and Tourism	-	28,356
Beach and Swim Club	2,436	-
Utility Fund	21,311	22,410
<b>Total</b>	<u><u>\$ 50,766</u></u>	<u><u>\$ 50,766</u></u>

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

Interfund transfers for the year ended September 30, 2017 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 8,288	\$ -
Beach and Swim Club	-	8,288
Hospitality Tax	-	42,244
Events and Tourism	42,244	-
	<u><u>\$ 50,532</u></u>	<u><u>\$ 50,532</u></u>

Transfers are used to (1) move unrestricted general fund revenues to finance various programs that the government accounts for in other funds, (2) move revenues from the utility system to the general government to forestall need for tax increases and to finance various programs benefiting the utility system that the government accounts for in other funds, and (3) move other unrestricted revenues to the general fund.

#### **NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS – PENSION FUNDS**

The City participates in the State of South Carolina’s retirement plans (“Systems”), which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, 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 for the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the

Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

### *Plan Description*

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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

### *Membership*

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two Member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contributions (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an identical death benefit contribution, if applicable, which is retained by SCRS.
- 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 credible service equals at least 90 years. Both Class Two and Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and 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 total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates (1) are as follows:

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

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
SCRS		
Employee Class Two	11.41%	10.91%
Employee Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	13.84%	13.34%
Employee Class Three	13.84%	13.34%
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.
- (2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

**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 annual valuation 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 statutes require that an actuarial experience study be completed at least once each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

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

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) <sup>1</sup>	4% to 10% (varies by service) <sup>1</sup>
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
<sup>1</sup> Includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
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%

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2017, the City reported a liability of \$7,514,376 for its proportionate share of the net pension liability. A liability of \$6,038,543 was reported for governmental liabilities and a liability of \$1,475,833 was reported for business-type activities. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended September 30, 2017, the City recognized pension expense totaling \$830,145, which consisted of contributions to the Systems of \$564,128 and additional expense of \$266,017, as a result of the increase in the net pension liability related to GASB 68 requirements. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences between expected and actual experience	\$ 45,668	\$ 4,784
Net difference between projected and actual earnings on pension plan investments	370,642	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	762,008	-
City contributions subsequent to the measurement date	284,612	-
Total SCRS	1,462,930	4,784
<b>PORS</b>		
Differences between expected and actual experience	46,130	-
Net difference between projected and actual earnings on pension plan investments	352,523	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	195,364	-
City contributions subsequent to the measurement date	279,516	-
Total PORS	873,533	-
Total SCRS and PORS	\$ 2,336,463	\$ 4,784

\$284,612 and \$279,516 that were reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

<u>Year Ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
2018	\$ 285,115	\$ 144,319	\$ 429,434
2019	285,115	144,319	429,434
2020	285,115	144,319	429,434
2021	285,115	144,319	429,434
2022	33,074	16,741	49,815
Total	<u>\$ 1,173,534</u>	<u>\$ 594,017</u>	<u>\$ 1,767,551</u>

***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 September 30, 2016, for SCRS and PORS are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers’ Net Position Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 45,356,214,752	\$ 23,996,362,354	\$ 21,359,852,398	52.9%
PORS	6,412,510,458	3,876,035,732	2,536,474,726	60.4%

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

***Long-term Expected Rate of Return***

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

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

return and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>43.0%</b>		
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/ Risk parity	10.0%	3.90%	0.39%
HF (low beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
Total expected real return	100.0%		5.10%
Inflation for Actuarial purposes			2.75%
Total expected nominal return			7.85%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State 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.

*Sensitivity Analysis*

The following table presents the City’s proportionate share of net pension liability of the Systems 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	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 5,495,703	\$ 4,405,470	\$ 3,497,892
PORS	\$ 4,074,488	\$ 3,108,906	\$ 2,241,172

*Additional Financial and Actuarial Information*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended September 30, 2016 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of September 30, 2016.

**NOTE 11 – DEFERRED COMPENSATION PLANS**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all City employees, permits them to defer a portion of their salary until future years. The employer's plan, created under Internal Revenue Code Section 401(k) is administered by a third party and is included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) plan is placed in trust for the contributing employee. Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The City has no liability for losses under the plans.

**NOTE 12 – RISK MANAGEMENT AND RETENTION**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through participation in an insurance purchasing public entity risk pool sponsored by the South Carolina Municipal Association. The City pays an annual premium to the pool and may be subject to supplemental premium assessment should pool claims exceed certain levels. Pool claims have not exceeded those levels in any of the past four years.

There have been no significant reductions in insurance coverage during the fiscal year ended September 30, 2017.

**NOTE 13 – FUND BALANCE CLASSIFICATIONS**

	Special Revenue Funds							Total Governmental Funds
	General Fund	Memorial	Police	Beach and Swim Club	Hospitality Tax	Golf Club	Events and Tourism	
Fund Balances								
<b>Nonspendable</b>								
Prepaid	\$ 30,140	\$ -	\$ -	\$ -	\$ -	\$ 10,852	\$ -	\$ 40,992
Inventory	-	-	-	-	-	66,877	-	66,877
<b>Restricted</b>								
In accordance with								
donor stipulations	43,039	4,016	-	-	-	-	-	47,055
Victims' rights	49,712	-	-	-	-	-	-	49,712
Hospitality	-	-	-	-	166,640	-	1,131,829	1,298,469
<b>Committed</b>								
Police	-	-	17,089	-	-	-	-	17,089
Beach and Swim	-	-	-	53,645	-	-	-	53,645
<b>Unassigned</b>	<b>2,187,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,427</b>	<b>-</b>	<b>2,375,656</b>
<b>Total</b>	<b>\$ 2,310,120</b>	<b>\$ 4,016</b>	<b>\$ 17,089</b>	<b>\$ 53,645</b>	<b>\$ 166,640</b>	<b>\$ 266,156</b>	<b>\$ 1,131,829</b>	<b>\$ 3,949,495</b>

**NOTE 14 – GOLF COURSE MANAGEMENT AGREEMENT**

In July, 2010, the City of Tega Cay (Owner) amended its existing management agreement dated October 29, 2007 as previously amended with Tega Cay Management Group, LLC (Operator) to manage and operate the golf course and all related facilities including clubhouse, restaurant and bar, outdoor pavilion, tennis courts and a community center. The amended term of the lease shall begin on November 1, 2010 and shall terminate on October 31, 2011. The term will automatically extend for an additional twelve months, November 1, 2011 through October 31, 2012, unless the City, in its sole discretion, notifies the Operator in writing, prior to, or on, July 31, 2011 that the City elects not to extend the term. If extended, the term will automatically terminate on October 31, 2012. The Operator shall be paid a fixed management fee of \$86,000 per annum, paid in equal monthly installments of \$7,167, effective July 2010, and continuing until the changeover date, November 1, 2010. Upon the changeover date, the fixed management fee is reduced to \$72,000 per annum, paid in equal monthly installments of \$6,000. In addition to the fixed management fee, the Operator shall be paid an incentive fee based on gross revenue of the operation. The incentive fee shall not exceed the fixed management fee. The management agreement contains additional provisions governing the services to be performed by the Operator, deposit of gross revenues and initial owner advance and operational funding.

Subsequent to yearend, the City of Tega Cay (Owner) renewed its existing management agreement dated July 1, 2010 as previously amended with Tega Cay Management Group, LLC (Operator) to manage and operate the golf course and all related facilities including clubhouse, restaurant and bar, outdoor pavilion, tennis courts and a community center. The terms of the agreement shall begin on November 1, 2012 and shall terminate on October 31, 2017. The term will automatically extend for an additional twelve months, November 1, 2015 through October 31, 2017, unless the City, in its sole discretion, notifies the Operator in writing, prior to, or on, July 31, 2015 that the City elects not to extend the term. The term will automatically extend for an additional twelve months, November 1, 2017 through October 31, 2017, unless the City, in its sole discretion, notifies the Operator in writing, prior to, or on, July 31, 2017 that the City elects not to extend the term. If extended, the term will automatically terminate on October 31, 2017.

The Operator shall be paid a fixed management fee of \$66,000 per annum, paid in equal monthly installments of \$5,500. In addition to the fixed management fee, the Operator shall be paid an incentive fee based on gross revenue of the operation. The incentive fee shall not exceed the fixed management fee. The management agreement contains additional provisions governing the services to be performed by the Operator, deposit of gross revenues and initial owner advance and operational funding.

#### **NOTE 15 – COMMITMENTS**

The City has entered into various construction contracts for construction of a fire station and waste water treatment plant improvements. As of September 30, 2017, approximately \$409,474 remains on the commitments. The commitments are funded by bond issues obtained by the City.

#### **NOTE 16 – TAX ABATEMENTS**

##### *Other Tax Abatements*

The City's property tax revenues were reduced by approximately \$318,019 under agreements entered into by York County.

#### **NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TEGA CAY

SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM  
LAST 3 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SCRS</u>			
Contractually required Contribution	\$ 284,612	\$ 234,049	\$ 199,908
Contributions in relation to the contractually required contribution	<u>(284,612)</u>	<u>(234,049)</u>	<u>(199,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,380,264	\$ 2,118,082	\$ 1,852,173
Contributions as a percentage of covered-employee payroll	11.10%	11.05%	10.79%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PORS</u>			
Contractually required Contribution	\$ 279,516	\$ 221,755	\$ 206,535
Contributions in relation to the contractually required contribution	<u>(279,516)</u>	<u>(221,755)</u>	<u>(206,535)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,941,511	\$ 1,645,502	\$ 1,577,034
Contributions as a percentage of covered-employee payroll	14.40%	13.48%	13.1%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF TEGA CAY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM  
LAST 3 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SCRS</u>			
City's proportion of the net pension liability	0.021%	0.018%	0.014%
City's proportionate share of the net pension liability	\$ 4,405,470	\$ 3,417,390	\$ 2,379,518
City's covered-employee payroll	\$ 2,118,082	\$ 1,852,173	\$ 1,367,972
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.9%	184.51%	173.9%
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PORS</u>			
City's proportion of the net pension liability	0.123%	0.116%	0.109%
City's proportionate share of the net pension liability	\$ 3,108,906	\$ 2,531,529	\$ 2,083,223
City's covered-employee payroll	\$ 1,645,502	\$ 1,577,034	\$ 1,385,035
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.9%	160.5%	150.4%
Plan fiduciary net position as a percentage of the total pension liability	60.4%	64.6%	67.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF TEGA CAY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of September 30, 2016, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended September 30, 2017 reported in that schedule can be found in Note 10 of the basic financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

## GENERAL FUND

The General Fund is the City's main operating fund and is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Real property	\$ 4,095,825	\$ 4,197,500	\$ 4,198,329	\$ 829
Vehicle	691,311	610,000	600,856	(9,144)
Tax penalties	7,500	9,900	10,087	187
<b>Totals</b>	<u>4,794,636</u>	<u>4,817,400</u>	<u>4,809,272</u>	<u>(8,128)</u>
<b>Fines, fees, licenses and permits</b>				
Court fines and forfeitures	120,500	133,000	148,670	15,670
Parking tickets	2,500	8,000	8,668	668
Franchise fees	486,761	512,323	494,116	(18,207)
Inspection and permit fees	1,058,000	960,000	940,162	(19,838)
Business licenses	1,312,000	1,203,000	1,180,982	(22,018)
Recreation fees	393,452	394,702	397,325	2,623
Waste management fees	1,500	750	650	(100)
Security fees	38,790	43,300	45,156	1,856
<b>Totals</b>	<u>3,413,503</u>	<u>3,255,075</u>	<u>3,215,729</u>	<u>(39,346)</u>
<b>Intergovernmental</b>				
State shared	164,396	180,452	174,314	(6,138)
<b>Totals</b>	<u>164,396</u>	<u>180,452</u>	<u>174,314</u>	<u>(6,138)</u>
<b>Other</b>				
Interest	2,000	1,500	1,427	(73)
Sponsorships	10,000	21,168	21,168	-
Grants	-	30,000	61,155	31,155
Rentals	94,182	85,282	86,406	1,124
Other	7,500	307,089	274,981	(32,108)
<b>Totals</b>	<u>113,682</u>	<u>445,039</u>	<u>445,137</u>	<u>98</u>
<b>Total Revenues</b>	<u>\$ 8,486,217</u>	<u>\$ 8,697,966</u>	<u>\$ 8,644,452</u>	<u>\$ (53,514)</u>

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>General Government</b>				
<b>Municipal Council</b>				
Salaries	\$ 20,400	\$ 20,400	\$ 20,482	\$ (82)
Employee benefits	1,711	2,285	2,285	-
Election expense	-	-	-	-
Other	-	-	-	-
Travel and training	8,000	3,412	3,456	(44)
Meeting expense	7,500	2,700	4,021	(1,321)
Storage and flags	-	-	-	-
Flowers	750	1,000	1,035	(35)
Dues and subscriptions	150	100	150	(50)
<b>Total Municipal Council</b>	<b>38,511</b>	<b>29,897</b>	<b>31,429</b>	<b>(1,532)</b>
<b>Municipal Court</b>				
Salaries	68,840	92,198	93,140	(942)
Employee benefits	13,421	29,443	29,271	172
Meeting expense	-	504	-	504
Jurors	300	-	-	-
Supplies	300	1,872	2,027	(155)
Travel and training	700	-	1,024	(1,024)
Cell phone	577	107	107	-
Postage	-	35	35	-
Reimbursement to other governments	72,300	82,460	91,374	(8,914)
<b>Total Municipal Court</b>	<b>156,438</b>	<b>206,619</b>	<b>216,978</b>	<b>(10,359)</b>
<b>Administration</b>				
Salaries	452,305	407,000	405,388	1,612
Employee benefits	153,685	155,371	151,051	4,320
Professional services	27,000	25,945	25,945	-
Data processing services	16,500	18,000	17,776	224
Codify ordinances	2,500	2,671	2,671	-
Contract services	6,000	5,500	5,644	(144)
Auto operation	1,600	2,500	2,363	137
Copier	12,300	6,200	6,114	86
IT expenses	2,150	1,334	1,588	(254)
Office supplies	12,000	13,000	13,884	(884)
Other	8,500	6,325	8,478	(2,153)
Travel and training	10,000	12,851	14,391	(1,540)
Cell phone	3,600	3,250	3,556	(306)
Postage	3,300	3,300	3,451	(151)
Repairs and maintenance	1,000	1,000	1,011	(11)
Software maintenance	4,000	4,000	3,735	265
Legal advertising	1,000	1,000	1,207	(207)
Dues and subscriptions	7,500	6,863	7,062	(199)
Capital outlay	6,732	6,732	23,900	(17,168)
<b>Total Administration</b>	<b>731,672</b>	<b>682,842</b>	<b>699,215</b>	<b>(16,373)</b>
<b>Total General Government</b>	<b>926,621</b>	<b>919,358</b>	<b>947,622</b>	<b>(28,264)</b>

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Developmental Services</b>				
Salaries	\$ 378,634	\$ 359,258	\$ 357,824	\$ 1,434
Employee benefits	129,271	129,438	126,665	2,773
Medical	-	570	900	(330)
Professional services	8,000	18,490	21,247	(2,757)
Copier	5,000	5,100	5,046	54
IT expenses	2,300	100	32	68
Software maintenance	6,000	7,995	8,494	(499)
Uniforms	500	462	-	462
Supplies	7,000	4,000	5,185	(1,185)
Travel and training	11,480	5,779	6,004	(225)
Cell phone	4,000	3,500	3,648	(148)
Auto operation	1,500	1,750	1,912	(162)
Vehicle maintenance	1,500	100	125	(25)
Dues and subscriptions	1,500	1,078	1,213	(135)
<b>Total Developmental Services</b>	<b>556,685</b>	<b>537,620</b>	<b>538,295</b>	<b>(675)</b>
<b>Public Works</b>				
Salaries	328,383	316,000	315,371	629
Employee benefits	144,020	149,284	142,656	6,628
Medical	639	808	1,298	(490)
Professional services	5,000	4,596	5,191	(595)
Uniforms	4,000	4,000	3,879	121
IT expenses	2,000	-	-	-
Auto operation	16,000	16,000	15,912	88
Memorial gardens	5,000	4,500	-	4,500
Other	-	-	5,016	(5,016)
Tree care	7,000	7,000	6,869	131
Landfill charges	1,500	500	236	264
Small tools	2,500	2,000	1,717	283
Supplies	22,000	20,000	26,438	(6,438)
Travel and training	3,500	2,000	1,945	55
Cell phone	5,438	4,500	4,649	(149)
Repairs - equipment	4,000	4,800	4,940	(140)
Building grounds/maintenance	4,700	4,100	4,149	(49)
Vehicle maintenance	10,000	12,000	10,917	1,083
Street maintenance	100,000	100,000	99,736	264
Tree work	12,000	12,000	6,850	5,150
Monument costs	90,000	70,000	69,301	699
Contract lawn care	42,000	42,000	40,777	1,223
Dues and subscriptions	150	310	310	-
Capital outlay	14,725	8,757	27,611	(18,854)
<b>Total Public Works</b>	<b>824,555</b>	<b>785,155</b>	<b>795,768</b>	<b>(10,613)</b>
<b>Police Department</b>				
Salaries	1,343,889	1,341,327	1,345,392	(4,065)
Employee benefits	548,197	580,373	574,178	6,195
Medical	2,000	2,000	1,478	522

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Police Department (continued)</b>				
Uniforms	\$ 17,000	\$ 17,000	\$ 17,637	\$ (637)
Auto operation	45,000	50,000	52,549	(2,549)
Boat operations	5,000	3,000	1,866	1,134
Postage	300	350	387	(37)
Software maintenance	22,691	22,691	16,088	6,603
Supplies	18,000	18,218	19,632	(1,414)
Office supplies	8,000	8,000	8,362	(362)
Other	-	-	-	-
Travel and training	20,000	20,000	20,643	(643)
Cell phones	25,000	25,700	27,372	(1,672)
Board and lodge prisoners	25,000	34,518	40,526	(6,008)
Repairs - equipment	5,000	5,000	4,277	723
Building/grounds maintenance	8,000	8,521	9,043	(522)
Repairs - vehicle	15,000	18,000	17,585	415
Dues and subscription	1,400	893	1,085	(192)
Copier	17,380	17,380	16,710	670
IT expenses	10,000	13,000	12,449	551
Dispatch services	106,560	106,560	97,780	8,780
Other equipment	-	-	70,889	(70,889)
Capital outlay	62,055	62,055	212,532	(150,477)
SLED	7,500	6,000	5,755	245
Community relations	5,000	6,681	6,686	(5)
<b>Total Police Department</b>	<b>2,317,972</b>	<b>2,367,267</b>	<b>2,580,901</b>	<b>(213,634)</b>
<b>Fire Services</b>				
Salaries	687,847	711,492	716,790	(5,298)
Employee benefits	264,114	301,346	289,890	11,456
Medical	700	2,771	2,771	-
Uniforms	11,000	11,000	10,347	653
Fuel	10,500	10,500	11,848	(1,348)
Supplies	2,500	2,500	5,239	(2,739)
Travel and training	13,500	14,000	15,289	(1,289)
Cell phones	1,500	1,500	1,394	106
Utilities	14,000	14,000	13,604	396
Repairs - vehicle	34,000	34,000	33,607	393
Repairs - equipment	4,000	2,000	1,987	13
Contribution	29,000	29,000	29,000	-
Building and grounds maintenance	5,000	4,755	5,441	(686)
Apparatus and equipment	38,000	41,000	47,733	(6,733)
EMS	20,000	30,000	29,984	16
IT expenses	6,145	2,020	2,177	(157)
Capital outlay	-	-	2,249,682	(2,249,682)
<b>Total Fire Services</b>	<b>1,141,806</b>	<b>1,211,884</b>	<b>3,466,783</b>	<b>(2,254,899)</b>
<b>Parks and Recreation</b>				
Salaries	188,467	188,467	186,960	1,507
Employee benefits	76,008	72,385	72,087	298
Medical	639	415	415	-
Professional services	-	359	359	-

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Parks and Recreation (continued)</b>				
Sports uniforms	\$ 75,000	\$ 75,000	\$ 76,745	\$ (1,745)
Uniforms	450	421	421	-
Referees/extra help	40,000	40,762	40,985	(223)
On-line registration	600	600	550	50
Supplies	8,000	7,000	7,954	(954)
IT expenses	2,000	1,111	1,111	-
Travel and training	2,250	916	979	(63)
Auto operations	3,000	3,000	4,409	(1,409)
Vehicle maintenance	1,000	1,000	-	1,000
Cell phones	2,164	2,200	2,286	(86)
Equipment repairs and maintenance	2,000	2,500	2,428	72
Contract grounds maintenance	50,000	59,274	59,275	(1)
Athletic field supplies	3,500	3,000	3,294	(294)
Recreation equipment	9,000	2,878	6,081	(3,203)
Professional insurance	4,000	659	7,793	(7,134)
Dues and subscriprion	760	700	700	-
Entry fees	4,000	4,354	4,354	-
Park maintenance	50,000	50,000	51,926	(1,926)
Trail maintenance	5,000	2,500	2,164	336
Doggie stations	3,200	3,200	5,041	(1,841)
Capital outlay	7,900	-	-	-
Field usage	12,000	12,138	12,138	-
<b>Total Parks and Recreation</b>	<b>550,938</b>	<b>534,839</b>	<b>550,455</b>	<b>(15,616)</b>
<b>Non-departmental</b>				
Safety program	22,500	15,360	15,241	119
Flags	2,500	1,600	2,148	(548)
Employees program	2,000	1,944	1,944	-
Street lights	23,500	23,500	23,012	488
Computer repair	49,000	40,000	38,280	1,720
Operational contingency	207,174	-	-	-
C-Fund road work	-	268,068	268,128	(60)
Legal fees	100,000	109,000	114,263	(5,263)
Property insurance	72,000	88,010	88,011	(1)
Golf and community center	35,000	34,069	36,015	(1,946)
Waste management services	670,000	674,000	677,295	(3,295)
Utilities	115,000	115,000	120,929	(5,929)
Stormwater fees	13,440	13,440	13,440	-
Web-site hosting	3,704	-	3,628	(3,628)
City Hall building expenses	7,000	4,750	4,939	(189)
Boat storage cost	3,000	2,881	2,881	-
Newsletter	500	-	-	-
PARD	-	34,856	-	34,856
RFATS	-	4,317	-	4,317
Other	-	1,400	39,788	(38,388)
Stonecrest HOA dues	5,000	4,782	4,782	-
Capital outlay	-	-	73,500	(73,500)
<b>Total Non-departmental</b>	<b>1,331,318</b>	<b>1,436,977</b>	<b>1,528,224</b>	<b>(91,247)</b>

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal	\$ 844,610	\$ 841,326	\$ 579,396	\$ 261,930
Interest and fiscal charges	-	-	237,773	(237,773)
<b>Total Debt Service</b>	844,610	841,326	817,169	24,157
<b>Total Expenditures</b>	8,494,505	8,634,426	11,225,217	(2,590,791)
<b>Excess (Deficiency) of Revenues   Over (Under) Expenditures</b>	(8,288)	63,540	(2,580,765)	(2,644,305)
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuance	-	-	189,611	189,611
Sale of general capital assets	-	-	38,900	38,900
Insurance recoveries	-	-	21,485	21,485
Transfers in/(out)				
Beach and Swim Club Fund	8,288	8,288	8,288	-
<b>Total Other Financing Sources (Uses)</b>	8,288	8,288	258,284	249,996
<b>Net Change in Fund Balance</b>	-	71,828	(2,322,481)	(2,394,309)
<b>Fund Balance, beginning</b>	4,632,601	4,632,601	4,632,601	-
<b>Fund Balance, ending</b>	\$ 4,632,601	\$ 4,704,429	\$ 2,310,120	\$ (2,394,309)

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the specific revenues that are legally restricted to expenditures for particular purposes. The City of Tega Cay utilizes seven Special Revenue Funds described below:

*Memorial Fund* - The Memorial Fund was established to account the receipt of memorial gifts and expenditures relating to planting of trees and beautification projects on city property.

*Police Fund* - The Police Fund was established to account for the receipt of drug-related seizures and the expenditures of those funds, which are used for drug-related crime prevention.

*Beach and Swim Club Fund* - The Beach and Swim Club Fund was established to account for member dues and the related expenditures associated with the operations of the club.

*Golf Club Fund* - The Golf Club Fund is used to account for the revenues and expenditures of Tega Cay Golf and Conference Center.

*Hospitality Tax Fund* - The Hospitality Tax Fund is used to account for receipts from the hospitality tax collected from local businesses and expenditures relating to tourism promotion.

*Events and Tourism Fund* - The Events and Tourism Fund was established for purposes of providing for orderly administration and funding of Community Events and allocation of hospitality funds collected for tourism and related functions.

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET SCHEDULE  
SEPTEMBER 30, 2017

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
<b>Assets</b>							
Cash and cash investments	\$ 4,016	\$ 17,089	\$ 52,561	\$ 297,507	\$ 142,649	\$ 1,176,639	\$ 1,690,461
Accounts receivable	-	-	332	51,285	23,991	-	75,608
Inventory	-	-	-	66,877	-	-	66,877
Prepaid expenses	-	-	-	10,852	-	-	10,852
Due from other funds	-	-	2,436	-	-	-	2,436
<b>Total Assets</b>	<u>\$ 4,016</u>	<u>\$ 17,089</u>	<u>\$ 55,329</u>	<u>\$ 426,521</u>	<u>\$ 166,640</u>	<u>\$ 1,176,639</u>	<u>\$ 1,846,234</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ 1,002	\$ 79,028	\$ -	\$ 16,004	\$ 96,034
Accrued expenses	-	-	682	35,769	-	450	36,901
Unearned revenue	-	-	-	45,568	-	-	45,568
Due to other funds	-	-	-	-	-	28,356	28,356
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>1,684</u>	<u>160,365</u>	<u>-</u>	<u>44,810</u>	<u>206,859</u>
<b>Fund Balances</b>							
Nonspendable	-	-	-	77,729	-	-	77,729
Restricted	4,016	-	-	-	166,640	1,131,829	1,302,485
Committed	-	17,089	53,645	-	-	-	70,734
Unassigned	-	-	-	188,427	-	-	188,427
<b>Total Fund Balances</b>	<u>4,016</u>	<u>17,089</u>	<u>53,645</u>	<u>266,156</u>	<u>166,640</u>	<u>1,131,829</u>	<u>1,639,375</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,016</u>	<u>\$ 17,089</u>	<u>\$ 55,329</u>	<u>\$ 426,521</u>	<u>\$ 166,640</u>	<u>\$ 1,176,639</u>	<u>\$ 1,846,234</u>

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2017

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
<b>Revenues</b>							
Hospitality tax	\$ -	\$ -	\$ -	\$ -	\$ 243,105	\$ -	\$ 243,105
Event fees	-	-	-	-	-	5,872	5,872
Memberships	-	-	170,413	-	-	-	170,413
Golf	-	-	-	1,413,861	-	24,412	1,438,273
Pool and tennis	-	-	-	7,973	-	-	7,973
Club rentals	-	-	4,000	-	-	-	4,000
Guest passes	-	-	-	-	-	-	-
Swim team	-	-	7,187	-	-	-	7,187
Drug seizures	-	4,948	-	-	-	-	4,948
Interest	-	-	24	15	-	1,408	1,447
Other	2,831	-	3,979	-	-	-	6,810
<b>Total Revenues</b>	<b>2,831</b>	<b>4,948</b>	<b>185,603</b>	<b>1,421,849</b>	<b>243,105</b>	<b>31,692</b>	<b>1,890,028</b>
<b>Expenditures</b>							
Salaries	-	-	34,748	-	7,000	-	41,748
Employee benefits	-	-	18,816	-	-	-	18,816
Pool management	-	-	49,950	-	-	-	49,950
Sanitation	-	-	870	-	-	-	870
Supplies	-	-	2,515	-	-	-	2,515
Advertising	-	-	-	-	-	-	-
Other	6,625	2,365	5,378	-	5,349	-	19,717
Cell phone	-	-	1,327	-	-	-	1,327
Utilities	-	-	20,597	-	-	-	20,597
Permits	-	-	510	-	-	-	510
Equipment repairs and maintenance	-	2,334	10,727	-	-	-	13,061
Building and grounds maintenance	-	-	4,662	-	51,199	-	55,861
Swim team	-	-	3,500	-	-	-	3,500
Professional insurance	-	-	2,656	-	-	-	2,656
Golf club management	-	-	-	1,183,549	-	-	1,183,549
Community Events	-	-	-	-	-	97,877	97,877
Capital outlay	-	-	-	674,970	56,836	-	731,806
Debt service							
Principal	-	-	7,963	139,612	20,013	-	167,588
Interest	-	-	1,021	6,400	4,604	-	12,025
<b>Total Expenditures</b>	<b>6,625</b>	<b>4,699</b>	<b>165,240</b>	<b>2,004,531</b>	<b>145,001</b>	<b>97,877</b>	<b>2,423,973</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,794)</b>	<b>249</b>	<b>20,363</b>	<b>(582,682)</b>	<b>98,104</b>	<b>(66,185)</b>	<b>(533,945)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from debt issuance	-	-	-	608,000	-	-	608,000
Transfers in/(out)							
Special revenue fund	-	-	-	-	(42,244)	42,244	-
General fund	-	-	(8,288)	-	-	-	(8,288)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(8,288)</b>	<b>608,000</b>	<b>(42,244)</b>	<b>42,244</b>	<b>599,712</b>
<b>Net Change in Fund Balances</b>	<b>(3,794)</b>	<b>249</b>	<b>12,075</b>	<b>25,318</b>	<b>55,860</b>	<b>(23,941)</b>	<b>65,767</b>
<b>Fund Balances, beginning</b>	<b>7,810</b>	<b>16,840</b>	<b>41,570</b>	<b>240,838</b>	<b>110,780</b>	<b>1,155,770</b>	<b>1,573,608</b>
<b>Fund Balances, ending</b>	<b>\$ 4,016</b>	<b>\$ 17,089</b>	<b>\$ 53,645</b>	<b>\$ 266,156</b>	<b>\$ 166,640</b>	<b>\$ 1,131,829</b>	<b>\$ 1,639,375</b>

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS - GOLF CLUB  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Golf	\$ 1,266,787	\$ 1,413,861	\$ 147,074
Pool and tennis	9,973	7,973	(2,000)
Interest	-	15	15
<b>Total Revenues</b>	<u>1,276,760</u>	<u>1,421,849</u>	<u>145,089</u>
<b>Expenditures</b>			
Golf	344,475	426,617	(82,142)
Pool and tennis	9,000	11,985	(2,985)
Golf course maintenance	538,247	570,387	(32,140)
Property operations	53,784	48,283	5,501
Sales and marketing	11,590	6,104	5,486
General and administrative	107,335	120,173	(12,838)
Capital outlay	-	674,970	(674,970)
Debt service			
Principal	139,743	139,612	131
Interest	3,581	6,400	(2,819)
<b>Total Expenditures</b>	<u>1,207,755</u>	<u>2,004,531</u>	<u>(796,776)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>69,005</u>	<u>(582,682)</u>	<u>(651,687)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issuance	-	608,000	608,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>608,000</u>	<u>608,000</u>
<b>Net Change in Fund Balances</b>	69,005	25,318	(43,687)
<b>Fund Balances, beginning</b>	<u>240,838</u>	<u>240,838</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 309,843</u>	<u>\$ 266,156</u>	<u>\$ (43,687)</u>

## ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The City of Tega Cay has three Enterprise Funds described below:

*Utility Fund* - The Utility Fund accounts for the revenues and expenses relating to providing water and sewer to the residents of Tega Cay.

*Stormwater Fund* - The Stormwater Fund accounts for the revenues and expenses relating to providing stormwater services to the residents of Tega Cay.

**CITY OF TEGA CAY  
UTILITY FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Tap fees	\$ 405,434	\$ 323,818	\$ (81,616)
Irrigation taps	16,000	38,600	22,600
Water fees	1,940,539	1,846,461	(94,078)
Sewer fees	1,935,319	1,950,257	14,938
Water activation fees	15,000	27,750	12,750
Reconnect fees	7,000	18,275	11,275
Penalties	-	5,838	5,838
Miscellaneous	3,500	21,261	17,761
<b>Total Operating Revenues</b>	<u>4,322,792</u>	<u>4,232,260</u>	<u>(90,532)</u>
<b>Operating Expenses</b>			
Salaries	766,034	749,725	16,309
Employee benefits	272,119	400,759	(128,640)
Legal and professional services	57,500	107,473	(49,973)
Water purchased	568,095	583,743	(15,648)
Sewer treatment fees	393,367	432,947	(39,580)
Sewer clean-out	20,000	6,384	13,616
Water testing	10,000	4,885	5,115
Meters and supplies	125,000	146,239	(21,239)
Administration expense	10,000	14,958	(4,958)
Training and education	8,000	8,532	(532)
Auto expense	15,000	20,017	(5,017)
Cell phone	6,500	8,084	(1,584)
Miscellaneous	11,500	9,677	1,823
Meter reading	4,000	102	3,898
Chemicals	60,000	69,144	(9,144)
Depreciation	-	658,663	(658,663)
Utilities	115,000	127,946	(12,946)
Sludge hauling	80,000	81,438	(1,438)
Treatment plant maintenance	100,000	99,267	733
Equilization tank	107,500	186,627	(79,127)
Office supplies	2,000	764	1,236
Lift station maintenance	65,000	68,688	(3,688)
Billing	34,500	37,201	(2,701)
Vehicle maintenance	8,000	11,955	(3,955)
Capital outlay - non-depreciable	-	4,611	(4,611)
Software maintenance	25,000	24,473	527
Insurance	15,000	12,881	2,119
Water tower maintenance	10,000	19,832	(9,832)
Dues and subscriptions	1,200	1,065	135
SDW act	28,000	7,855	20,145
<b>Total Operating Expenses</b>	<u>2,918,315</u>	<u>3,905,935</u>	<u>(987,620)</u>
<b>Operating Income</b>	<u>1,404,477</u>	<u>326,325</u>	<u>(1,078,152)</u>

(continued)

CITY OF TEGA CAY  
UTILITY FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2017

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	\$ 30	\$ 2,204	\$ 2,174
Interest expense and fiscal charges	(390,762)	(390,762)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(390,732)</u>	<u>(388,558)</u>	<u>2,174</u>
<b>Change in Net Position</b>	1,013,745	(62,233)	(1,075,978)
<b>Net Position, beginning</b>	<u>5,323,331</u>	<u>5,323,331</u>	<u>-</u>
<b>Net Position, ending</b>	<u>\$ 6,337,076</u>	<u>\$ 5,261,098</u>	<u>\$ (1,075,978)</u>

**CITY OF TEGA CAY**  
**STORMWATER FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Stormwater compliance fees	\$ 480,000	\$ 480,363	\$ 363
<b>Total Operating Revenues</b>	<u>480,000</u>	<u>480,363</u>	<u>363</u>
<b>Operating Expenses</b>			
Salaries	155,166	171,032	(15,866)
Employee benefits	62,466	99,467	(37,001)
Professional services	25,000	22,478	2,522
Cell phone	1,380	1,996	(616)
Permits	2,000	-	2,000
Billing services	2,200	1,954	246
Vehicle maintenance	18,000	38,395	(20,395)
Insurance	3,750	3,984	(234)
Auto expense	14,000	16,040	(2,040)
Drainage maintenance materials	113,551	84,679	28,872
Information technology	8,000	5,745	2,255
Dues and subscriptions	500	-	500
Depreciation	-	36,366	(36,366)
<b>Total Operating Expenses</b>	<u>406,013</u>	<u>482,136</u>	<u>(76,123)</u>
<b>Operating Income</b>	<u>73,987</u>	<u>(1,773)</u>	<u>(75,760)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense and fiscal charges	(1,476)	(1,476)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(1,476)</u>	<u>(1,476)</u>	<u>-</u>
<b>Change in Net Position</b>	72,511	(3,249)	(75,760)
<b>Net Position, beginning</b>	<u>116,905</u>	<u>116,905</u>	<u>-</u>
<b>Net Position, ending</b>	<u>\$ 189,416</u>	<u>\$ 113,656</u>	<u>\$ (75,760)</u>

**CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
YEAR ENDED SEPTEMBER 30, 2017**

Assessments and Surcharges Retained by the City for Victims' Assistance	\$ 12,531
Assessments and Surcharges Remitted to the State Treasurer	88,631
<b>Total Fines, Assessments, and Surcharges Collected</b>	<b><u>\$ 101,162</u></b>

**Municipal Court Revenue to State of South Carolina**

Court Assessments to the State Treasurer	\$ 54,134
Municipal Conditional Discharge	150
DUI Assessments to the State Treasurer	96
DUI Surcharges to the State Treasurer	800
DUI/DPS Pullouts to the State Treasurer	1,462
Law Enforcement Surcharges to State Treasurer	31,789
DUI/DUAC Test Conviction Fees	200
<b>Total Court Revenue to the State Treasurer</b>	<b><u>\$ 88,631</u></b>

**Victims Services**

Court Assessments Allocated to Victim Services	\$ 6,802
Court Surcharges Allocated to Victim Services	5,729
Funds Allocated to Victim Services	<u>12,531</u>
Victim Services Expenditures	<u>-</u>
Excess of Revenues Over Expenditures	12,531
Fund Balance, beginning	<u>37,181</u>
Fund Balance, ending	<b><u>\$ 49,712</u></b>