

CITY OF TEGA CAY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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YEAR ENDED SEPTEMBER 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 25, 2019

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and 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 25, 2019

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, 2018. 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 \$13,762,484 (*net position*). Of this amount, the unrestricted net position balance is \$(2,332,290).
- The City's total net position for governmental activities decreased \$339,500 over the course of this year's operations. Net position of the business-type activity, which represents the water and sewer and stormwater funds, increased by \$594,540.
- The City issued new debt during the year consisting of \$4,410,318 in bond issues.
- The City repaid \$1,609,199 of bonds, notes and capital lease payables during the year.
- During the year, the City's governmental activity expenses were \$11,804,201, program revenues were \$4,726,596 and general revenues were \$6,738,105. This resulted in an excess of expenses over revenues of \$339,500 in the governmental activities.
- In the City's business-type activities, operating revenues were \$5,361,004 while expenses were \$4,775,555. This resulted in an operating gain of \$585,449.
- The City's governmental capital assets, net of depreciation at September 30, 2018, totaled \$18,475,060 while business-type capital assets, net of depreciation, totaled \$20,533,764. The City's governmental capital assets decreased by \$419,791 during the year and the business-type capital assets increased by \$236,818 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,648,722, an increase of \$3,699,227 from the prior year. The increase is primarily due to the construction of a new fire station in the prior year. Approximately 29 percent of this total amount, \$2,196,212 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 \$1,946,981 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenses, and changes in fund 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
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 increased \$255,040 or 1.9 percent between fiscal years 2018 and 2017. (See Table A-1.) The largest portion of the City's net position (84%) 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	
	2018	2017	2018	2017	2018	2017
Current and other	\$ 8,696,722	\$ 4,579,940	\$ 1,757,611	\$ 1,702,123	\$ 10,454,333	\$ 6,282,063
Capital assets	18,475,060	18,894,851	20,533,764	20,296,946	39,008,824	39,191,797
Total assets	27,171,782	23,474,791	22,291,375	21,999,069	49,463,157	45,473,860
Deferred outflows of resources	2,273,356	1,896,563	527,758	490,202	2,801,114	2,386,765
Total deferred outflows of resources	2,273,356	1,896,563	527,758	490,202	2,801,114	2,386,765
Long-term debt	20,743,811	16,740,815	16,488,968	16,731,594	37,232,779	33,472,409
Other liabilities	906,250	494,668	359,919	381,320	1,266,169	875,988
Total liabilities	21,650,061	17,235,483	16,848,887	17,112,914	38,498,948	34,348,397
Deferred inflows of resources	1,887	3,181	952	1,603	2,839	4,784
Total deferred inflows of resources	1,887	3,181	952	1,603	2,839	4,784
Net position						
Invested in capital assets, net of related debt	5,081,040	8,426,127	6,479,607	5,225,729	11,560,647	13,651,856
Restricted	3,911,006	92,751	623,121	622,263	4,534,127	715,014
Unrestricted (deficit)	(1,198,856)	(386,188)	(1,133,434)	(473,238)	(2,332,290)	(859,426)
Total net position	\$ 7,793,190	\$ 8,132,690	\$ 5,969,294	\$ 5,374,754	\$ 13,762,484	\$ 13,507,444

Changes in Net Position. The City's total reported revenues increased by \$ 1,600,000 to \$16.8 million. (See Table A-2.) About 31 percent of the City's revenue comes from property taxes. Fees charged for services account for about 60 percent.

The total cost of all programs and services increased approximately \$1.3 million. The City's expenses cover a range of services, with about 25 percent related to public safety and 30 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)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Revenues							
Program revenues							
Charges for services	\$ 4,700	\$ 4,347	\$ 5,347	\$ 4,691	\$ 10,047	\$ 9,038	11.16%
Grants and contributions	27	61	363	-	390	61	539.34%
General revenues							
Property taxes	5,144	4,832	-	-	5,144	4,832	6.46%
Other taxes	793	737	-	-	793	737	7.60%
Intergovernmental	190	174	-	-	190	174	9.20%
Other	612	292	15	23	627	315	99.05%
Transfers	-	-	-	-	-	-	0.00%
Total revenues	11,466	10,443	5,725	4,714	17,191	15,157	13.42%
Expenses							
General government	1,784	1,464	-	-	1,784	1,464	21.86%
Building inspection	510	539	-	-	510	539	5.38%
Public works	901	904	-	-	901	904	-0.33%
Public safety	2,682	2,549	-	-	2,682	2,549	5.22%
Fire services	1,547	1,293	-	-	1,547	1,293	19.64%
Community events and services	170	168	-	-	170	168	1.19%
Parks and recreation	648	591	-	-	648	591	9.64%
Non-departmental	1,555	1,455	-	-	1,555	1,455	6.87%
Beach and Swim Club	198	193	-	-	198	193	2.59%
Golf course	1,554	1,469	-	-	1,554	1,469	5.79%
Interest and fiscal charges	256	240	-	-	256	240	6.67%
Water and sewer	-	-	4,663	4,297	4,663	4,297	8.52%
Stormwater	-	-	468	484	468	484	-3.31%
Total expenses	11,805	10,865	5,131	4,781	16,936	15,646	8.24%
Excess (deficiency) before transfers	(339)	(422)	594	(67)	255	(489)	152.15%
Increase (decrease) in net position	\$ (339)	\$ (422)	\$ 594	\$ (67)	\$ 255	\$ (489)	152.15%

Governmental Activities

Revenues for the City’s governmental activities increased \$1,023,000 or 10 percent, while total expenses increased \$940 thousand or 9 percent.

- Property tax revenues increased approximately \$312 thousand from the prior year primarily due to a growing community.
- Charges for services were \$353 thousand higher than prior year due to an increase in general and developmental activities.

Business-Type Activities

Revenues of the City’s business-type activities increased approximately \$1,011 thousand to \$5.7 million, while expenses increased approximately \$350 thousand to 5.1 million. (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 \$7,648,722, an increase of \$3,699,227 from the prior year. The primary reason for the governmental fund’s change is due to construction of a new fire station in the prior year.

General Fund Budgetary Highlights

Actual general fund expenditures were \$737 thousand above budgeted amounts. This is primarily due to capital outlay expenditures.

Resources available for appropriation were \$332 thousand above the budgeted amount. The increases 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 2018, the City had invested \$39 million in a broad range of capital assets, net of depreciation. (See Table A-3.)

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 2018-2017
	2018	2017	2018	2017	2018	2017	
Land	\$ 6,227	\$ 5,859	\$ -	\$ -	\$ 6,227	\$ 5,859	6.28%
Buildings and improvements	13,068	13,032	-	-	13,068	13,032	0.28%
Infrastructure	3,738	3,738	25,555	24,481	29,293	28,219	3.81%
Machinery and equipment	5,209	5,123	1,104	1,098	6,313	6,221	1.48%
Accumulated depreciation	(9,768)	(8,858)	(6,125)	(5,283)	(15,893)	(14,141)	12.39%
	<u>\$ 18,474</u>	<u>\$ 18,894</u>	<u>\$ 20,534</u>	<u>\$ 20,296</u>	<u>\$ 39,008</u>	<u>\$ 39,190</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 \$28.4 million in bonds, notes payable and capital lease obligations outstanding as shown in Table A-4. The City repaid principal of \$1.6 million on bonds, notes and capital leases payable during the year. The City also issued new bonds, notes payable and capital lease obligations totaling \$4.4 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)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Revenue bonds	\$ -	\$ -	\$ 13,353	\$ 13,492	\$ 13,353	\$ 13,492	-1.03%
Due to developers	-	-	169	169	169	169	0.00%
Notes payable	368	424	-	-	368	424	-13.21%
General obligation bonds	12,425	8,969	-	27	12,425	8,996	38.12%
Capital lease obligations	689	1,075	1,359	1,553	2,048	2,628	-22.07%
	<u>\$ 13,482</u>	<u>\$ 10,468</u>	<u>\$ 14,881</u>	<u>\$ 15,241</u>	<u>\$ 28,363</u>	<u>\$ 25,709</u>	10.32%

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, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,128,679	\$ 600,299	\$ 4,728,978
Cash and cash equivalents, restricted	3,844,938	623,121	4,468,059
Receivables (net of allowances for uncollectibles)			
Taxes	214,826	-	214,826
Water and sewer	-	473,446	473,446
Intergovernmental	43,028	-	43,028
Other	203,868	-	203,868
Prepays	75,591	47,076	122,667
Inventory	52,939	-	52,939
Internal balances	132,853	-	132,853
Due from other funds	-	13,669	13,669
Capital assets			
Non-depreciable	6,226,881	-	6,226,881
Depreciable, net	12,248,179	20,533,764	32,781,943
Total Assets	27,171,782	22,291,375	49,463,157
Deferred Outflows of Resources			
Deferred charge on refunding	42,943	-	42,943
Deferred outflows related to pensions	2,230,413	527,758	2,758,171
Total Deferred Outflows of Resources	2,273,356	527,758	2,801,114
Liabilities			
Accounts payable and other current liabilities	603,461	287,619	891,080
Customer water deposits	-	72,300	72,300
Bail bonds	3,385	-	3,385
Due to developers	87,611	-	87,611
Due to other governmental units	11,166	-	11,166
Internal balances	146,522	-	146,522
Unearned revenues	54,105	-	54,105
Long-term liabilities			
Due within one year			
General obligation bonds	510,000	-	510,000
Revenue bonds	-	570,045	570,045
Notes payable	58,292	-	58,292
Capital leases	265,637	168,648	434,285
Compensated absences	198,141	18,169	216,310
Due in more than one year			
Due to developers	-	42,658	42,658
General obligation bonds	11,654,000	-	11,654,000
Revenue bonds	-	12,782,658	12,782,658
Notes payable	309,299	-	309,299
Capital leases	423,395	1,190,672	1,614,067
Net pension liability	7,064,458	1,716,118	8,780,576
Unamortized bond premium	260,589	-	260,589
Total Liabilities	21,650,061	16,848,887	38,498,948
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,887	952	2,839
Total Deferred Inflows of Resources	1,887	952	2,839
Net Position			
Net investment in capital assets	5,081,040	6,479,607	11,560,647
Restricted	3,911,006	623,121	4,534,127
Unrestricted	(1,198,856)	(1,133,434)	(2,332,290)
Total Net Position	\$ 7,793,190	\$ 5,969,294	\$ 13,762,484

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

CITY OF TEGA CAY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

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
						Governmental Activities	Business-type Activities	
Primary Government								
Governmental Activities:								
General government	\$ 1,784,095	\$ 1,299,004	\$ -	\$ -	\$ (485,091)	\$ -	\$ -	\$ (485,091)
Developmental services	509,509	1,055,278	-	-	545,769	-	-	545,769
Public works	900,739	750	-	-	(899,989)	-	-	(899,989)
Police	2,681,873	199,767	26,800	-	(2,455,306)	-	-	(2,455,306)
Fire services	1,546,528	-	-	-	(1,546,528)	-	-	(1,546,528)
Community events and services	170,038	8,560	-	-	(161,478)	-	-	(161,478)
Parks and recreation	647,767	495,241	-	-	(152,526)	-	-	(152,526)
Non-departmental	1,554,819	-	-	-	(1,554,819)	-	-	(1,554,819)
Beach and swim club	198,318	166,924	-	-	(31,394)	-	-	(31,394)
Golf course	1,554,230	1,474,272	-	-	(79,958)	-	-	(79,958)
Interest and fiscal charges	256,285	-	-	-	(256,285)	-	-	(256,285)
Total Governmental Activities	11,804,201	4,699,796	26,800	-	(7,077,605)	-	-	(7,077,605)
Business-type Activities:								
Water and sewer	4,663,166	4,846,969	-	363,150	-	546,953	-	546,953
Stormwater	467,869	500,117	-	-	-	32,248	-	32,248
Total Business-type Activities	5,131,035	5,347,086	-	363,150	-	579,201	-	579,201
Total Primary Government	\$ 16,935,236	\$ 10,046,882	\$ 26,800	\$ 363,150	(7,077,605)	579,201	-	(6,498,404)
General Revenues								
Taxes								
Property taxes					5,143,645	-	-	5,143,645
Local hospitality taxes					264,028	-	-	264,028
Franchise taxes					528,651	-	-	528,651
Miscellaneous					586,521	13,918	-	600,439
Intergovernmental revenue					189,885	-	-	189,885
Interest revenue					6,262	1,421	-	7,683
Insurance recoveries					19,113	-	-	19,113
Total General Revenues					6,738,105	15,339	-	6,753,444
Change in Net Position					(339,500)	594,540	-	255,040
Net Position, beginning					8,132,690	5,374,754	-	13,507,444
Net Position, ending					\$ 7,793,190	\$ 5,969,294	\$ -	\$ 13,762,484

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

FUND FINANCIAL STATEMENTS

CITY OF TEGA CAY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 2,193,825	\$ 1,934,854	\$ 4,128,679
Cash and cash equivalents, restricted	3,844,938	-	3,844,938
Receivables (net of allowances for uncollectibles)			
Taxes	214,826	-	214,826
Intergovernmental	43,028	-	43,028
Other	112,201	91,667	203,868
Due from other funds	132,853	-	132,853
Prepays	56,584	19,007	75,591
Inventory	-	52,939	52,939
Total Assets	<u><u>\$ 6,598,255</u></u>	<u><u>\$ 2,098,467</u></u>	<u><u>\$ 8,696,722</u></u>
Liabilities			
Accounts payable	\$ 242,819	\$ 118,069	\$ 360,888
Other accrued liabilities	175,041	45,620	220,661
Bail bonds	3,385	-	3,385
Due to other funds	-	146,522	146,522
Due to other governmental units	11,166	-	11,166
Due to developers	87,611	-	87,611
Unearned revenue	-	54,105	54,105
Total Liabilities	<u>520,022</u>	<u>364,316</u>	<u>884,338</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>163,662</u>	<u>-</u>	<u>163,662</u>
Total Deferred Inflows of Resources	<u>163,662</u>	<u>-</u>	<u>163,662</u>
Fund Balances			
Nonspendable	56,584	71,441	128,025
Restricted	3,911,006	1,360,995	5,272,001
Committed	-	52,484	52,484
Unassigned	<u>1,946,981</u>	<u>249,231</u>	<u>2,196,212</u>
Total Fund Balances	<u>5,914,571</u>	<u>1,734,151</u>	<u>7,648,722</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 6,598,255</u></u>	<u><u>\$ 2,098,467</u></u>	<u><u>\$ 8,696,722</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, 2018

Fund Balance - Governmental Funds \$ 7,648,722

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

The cost of capital assets is	28,242,687	
Accumulated depreciation is	<u>(9,767,627)</u>	18,475,060

Bond premiums and deferred costs incurred in governmental activities are recognized as other financing sources in the year they occur.		(217,646)
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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.		(21,912)
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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:

Bonds payable	(12,164,000)	
Capital lease obligations	(689,032)	
Notes payable	(367,591)	
Compensated absences payable	<u>(198,141)</u>	(13,418,764)

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.		
Net pension liability		(7,064,458)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	2,230,413	
Deferred inflows of resources related to pensions	<u>(1,887)</u>	2,228,526

Deferred revenue related to property tax is not a liability in governmental activities.		<u>163,662</u>
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Total Net Position - Governmental Activities		\$ <u>7,793,190</u>
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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, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,143,645	\$ 264,028	\$ 5,407,673
Fines, fees, licenses and permits	3,578,691	-	3,578,691
Intergovernmental	189,885	-	189,885
Golf	-	1,488,874	1,488,874
Event fees	-	8,560	8,560
Grants	26,800	-	26,800
Sponsorships	21,250	-	21,250
Membership dues	-	154,065	154,065
Rentals	75,112	3,870	78,982
Interest	1,443	4,819	6,262
Drug seizures	-	7,164	7,164
Other	202,442	131,554	333,996
Total Revenues	<u>9,239,268</u>	<u>2,062,934</u>	<u>11,302,202</u>
Expenditures			
General government	1,049,523	-	1,049,523
Developmental services	509,509	-	509,509
Public works	777,677	-	777,677
Police	2,510,620	11,770	2,522,390
Fire services	1,433,713	-	1,433,713
Community events and services	-	170,038	170,038
Parks and recreation	614,854	-	614,854
Non-departmental	1,554,819	-	1,554,819
Beach and swim club	-	163,320	163,320
Golf club management	-	1,237,269	1,237,269
Capital outlay	328,460	161,370	489,830
Debt service			
Principal	640,742	198,945	839,687
Interest	242,301	17,158	259,459
Total Expenditures	<u>9,662,218</u>	<u>1,959,870</u>	<u>11,622,088</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(422,950)</u>	<u>103,064</u>	<u>(319,886)</u>
Other Financing Sources (Uses)			
Proceeds from debt issuance	4,000,000	-	4,000,000
Insurance recoveries	19,113	-	19,113
Transfers in/(out)			
Beach and Swim Club Fund	8,288	(8,288)	-
Total Other Financing Sources (Uses)	<u>4,027,401</u>	<u>(8,288)</u>	<u>4,019,113</u>
Net Change in Fund Balances	3,604,451	94,776	3,699,227
Fund Balances, beginning	2,310,120	1,639,375	3,949,495
Fund Balances, ending	<u>\$ 5,914,571</u>	<u>\$ 1,734,151</u>	<u>\$ 7,648,722</u>

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 3,699,227

Amounts reported for Governmental Activities in the Statement of Activities are different because (see Note 1, also)

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.

Capital outlay	489,830	
Depreciation expense	<u>(909,621)</u>	(419,791)

The net effect of sales and other transactions involving capital assets. 125,000

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 839,687

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. 35,407

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. (5,402)

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. 15,587

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. (647,601)

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. 18,386

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.

Issuance of bonds		<u>(4,000,000)</u>
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Change in Net Position of Governmental Activities \$ (339,500)

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,101,835	\$ 5,101,835	\$ 5,143,645	\$ 41,810
Fines, fees, licenses and permits	3,520,159	3,520,159	3,578,691	58,532
Intergovernmental	172,128	172,128	189,885	17,757
Other	113,161	113,161	327,047	213,886
Total Revenues	8,907,283	8,907,283	9,239,268	331,985
Expenditures				
General government	993,919	993,919	1,049,523	(55,604)
Development services	524,455	524,455	509,509	14,946
Public works	789,101	789,101	777,677	11,424
Police	2,459,795	2,459,795	2,510,620	(50,825)
Fire services	1,374,031	1,374,031	1,433,713	(59,682)
Parks and recreation	542,326	542,326	614,854	(72,528)
Non-departmental	1,285,970	1,285,970	1,554,819	(268,849)
Capital outlay	46,700	46,700	328,460	(281,760)
Debt service				
Principal	909,274	909,274	640,742	268,532
Interest	-	-	242,301	(242,301)
Total Expenditures	8,925,571	8,925,571	9,662,218	(736,647)
Excess (Deficiency) of Revenues Over Expenditures	(18,288)	(18,288)	(422,950)	(404,662)
Other Financing Sources				
Proceeds from capital leases	-	-	4,000,000	4,000,000
Insurance recoveries	-	-	19,113	19,113
Sale of general capital assets	10,000	10,000	-	(10,000)
Transfers in/(out)				
Beach and Swim Club fund	8,288	8,288	8,288	-
Total Other Financing Sources	18,288	18,288	4,027,401	4,009,113
Net Change in Fund Balances	-	-	3,604,451	3,604,451
Fund Balances, beginning	2,310,120	2,310,120	2,310,120	-
Fund Balances, ending	\$ 2,310,120	\$ 2,310,120	\$ 5,914,571	\$ 3,604,451

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

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2018

Assets	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
Current Assets			
Cash and cash equivalents	\$ 599,115	\$ 1,184	\$ 600,299
Receivables (net of allowance for doubtful accounts)			
Water and sewer	473,446	-	473,446
Due from other funds	-	161,240	161,240
Prepaid expenses	33,547	13,529	47,076
Total Current Assets	<u>1,106,108</u>	<u>175,953</u>	<u>1,282,061</u>
Noncurrent Assets			
Restricted cash	623,121	-	623,121
Capital assets			
Depreciable, net	20,306,078	227,686	20,533,764
Total Noncurrent Assets	<u>20,929,199</u>	<u>227,686</u>	<u>21,156,885</u>
Total Assets	<u>22,035,307</u>	<u>403,639</u>	<u>22,438,946</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	425,357	102,401	527,758
Total Deferred Outflows of Resources	<u>425,357</u>	<u>102,401</u>	<u>527,758</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	190,248	6,495	196,743
Accrued interest payable	90,876	-	90,876
Compensated absences	18,169	-	18,169
Customer deposits	72,300	-	72,300
Due to other funds	147,571	-	147,571
Capital leases - current	158,499	10,149	168,648
Revenue bonds - current	570,045	-	570,045
Total Current Liabilities	<u>1,247,708</u>	<u>16,644</u>	<u>1,264,352</u>
Noncurrent Liabilities			
Due to developers	42,658	-	42,658
Capital leases - noncurrent	1,180,343	10,329	1,190,672
Revenue bonds - noncurrent	12,782,658	-	12,782,658
Net pension liability	1,383,140	332,978	1,716,118
Total Noncurrent Liabilities	<u>15,388,799</u>	<u>343,307</u>	<u>15,732,106</u>
Total Liabilities	<u>16,636,507</u>	<u>359,951</u>	<u>16,996,458</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	767	185	952
Total Deferred Inflows of Resources	<u>767</u>	<u>185</u>	<u>952</u>
Net Position			
Net investment in capital assets	6,272,399	207,208	6,479,607
Restricted for debt service	623,121	-	623,121
Unrestricted (deficit)	(1,072,130)	(61,304)	(1,133,434)
Total Net Position	<u>\$ 5,823,390</u>	<u>\$ 145,904</u>	<u>\$ 5,969,294</u>

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, 2018

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
Operating Revenues			
Stormwater compliance fees	\$ -	\$ 500,117	\$ 500,117
Tap fees	570,112	-	570,112
Irrigation tap	35,200	-	35,200
Water fees	2,070,664	-	2,070,664
Sewer fees	2,124,010	-	2,124,010
Water activation fees	25,650	-	25,650
Reconnect fees	14,349	-	14,349
Penalties	6,984	-	6,984
Other	13,918	-	13,918
Total Operating Revenues	4,860,887	500,117	5,361,004
Operating Expenses			
Salaries	748,542	147,840	896,382
Employee benefits	484,967	109,695	594,662
Water purchased	709,056	-	709,056
Sewer treatment fees	511,762	-	511,762
Sewer clean-out	8,322	-	8,322
Water testing	3,739	-	3,739
Legal and professional services	146,977	15,722	162,699
Meters and supplies	169,063	-	169,063
Training and education	7,273	-	7,273
Auto expense	24,320	22,732	47,052
Cell phone	7,104	2,508	9,612
Billing	28,201	2,048	30,249
Chemicals	84,451	-	84,451
Sludge hauling	95,818	-	95,818
Treatment plant maintenance	104,570	-	104,570
Miscellaneous	18,013	11,742	29,755
Depreciation	805,382	37,232	842,614
Utilities	183,594	-	183,594
Office supplies	5,799	-	5,799
Lift station maintenance	55,762	-	55,762
Vehicle maintenance	11,398	18,928	30,326
Software maintenance	33,320	-	33,320
Dues and subscriptions	865	-	865
SDW act	30,648	-	30,648
Water tower maintenance	12,358	-	12,358
Drainage maintenance materials	-	93,650	93,650
Insurance	16,921	5,233	22,154
Total Operating Expenses	4,308,225	467,330	4,775,555
Operating Income	552,662	32,787	585,449

(continued)

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION (continued)
 YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities		Total Enterprise Funds
	Utility Fund 1	Stormwater Fund	
Nonoperating Revenues (Expenses)			
Grant revenue	\$ 363,150	\$ -	\$ 363,150
Interest revenue	1,421	-	1,421
Interest expense and fiscal charges	(354,941)	(539)	(355,480)
Total Nonoperating Revenues (Expenses)	<u>9,630</u>	<u>(539)</u>	<u>9,091</u>
Change in Net Position	562,292	32,248	594,540
Net Position, beginning	<u>5,261,098</u>	<u>113,656</u>	<u>5,374,754</u>
Net Position, ending	<u>\$ 5,823,390</u>	<u>\$ 145,904</u>	<u>\$ 5,969,294</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, 2018

	Business-type Activities		Total Enterprise
	Utility Fund	Stormwater Fund	Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,772,710	\$ 500,117	\$ 5,272,827
Payments to suppliers	(1,864,094)	(272,462)	(2,136,556)
Payments to employees	(1,227,694)	(304,157)	(1,531,851)
Net Cash Provided (Used) by Operating Activities	<u>1,680,922</u>	<u>(76,502)</u>	<u>1,604,420</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,069,048)	(10,384)	(1,079,432)
Bond proceeds	410,318	-	410,318
Due to developers	(126,352)	-	(126,352)
Principal payments on bonds	(549,344)	(26,331)	(575,675)
Principal payments on leases	(183,864)	(9,973)	(193,837)
Grant fund received	363,150	-	363,150
Interest and fiscal charges paid	(354,941)	(539)	(355,480)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,510,081)</u>	<u>(47,227)</u>	<u>(1,557,308)</u>
Cash Flows from Investing Activities			
Interest on cash and cash equivalents	1,421	-	1,421
Net Cash Provided by Investing Activities	<u>1,421</u>	<u>-</u>	<u>1,421</u>
Net Increase (Decrease) in Cash	172,262	(123,729)	48,533
Cash and Cash Investments, Beginning	<u>1,049,974</u>	<u>124,913</u>	<u>1,174,887</u>
Cash and Cash Investments, Ending	<u>\$ 1,222,236</u>	<u>\$ 1,184</u>	<u>\$ 1,223,420</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 552,662	\$ 32,787	\$ 585,449
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	805,382	37,232	842,614
Changes in assets and liabilities			
Receivables, net	7,121	-	7,121
Prepaid expenses	3,380	(3,787)	(407)
Accounts payable and accrued expenses	(3,515)	2,278	(1,237)
Deferred inflows/outflows related to pensions	(30,891)	(7,437)	(38,328)
Deferred charge on refunding	-	121	121
Compensated absences	3,303	(250)	3,053
Customer deposits	(19,065)	-	(19,065)
Net pension liability	193,663	46,622	240,285
Due to/from other funds	168,882	(184,068)	(15,186)
Net Cash Provided by Operating Activities	<u>\$ 1,680,922</u>	<u>\$ (76,502)</u>	<u>\$ 1,604,420</u>

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

CITY OF TEGA CAY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.

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, 2018, the City had deposits and investments as follows:

Deposits with financial institutions	\$ <u>5,473,418</u>
--------------------------------------	---------------------

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, 2018, 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 2017 tax year and the assessed valuation of real property was \$48,884,736. 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, 2018, consist of the following:

	<u>General Fund</u>
Property Tax Receivables:	
Real property	\$ 163,904
Vehicle	57,922
Less: allowance for uncollectibles	(7,000)
Total Property Tax Receivables	<u>\$ 214,826</u>
Other Receivables:	
Franchise fees	\$ 112,501
Total Other Receivables	<u>\$ 112,501</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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,859,605	\$ 112,958	\$ -	\$ 5,972,563
Construction in progress	-	254,318	-	254,318
Total Capital Assets, Not Being Depreciated	<u>5,859,605</u>	<u>367,276</u>	<u>-</u>	<u>6,226,881</u>
Capital assets, being depreciated				
Buildings, improvements and fixed structures	13,031,812	36,660	-	13,068,472
Infrastructure	3,738,361	-	-	3,738,361
Furniture and equipment	2,543,603	49,661	-	2,593,264
Vehicles	2,579,476	36,233	-	2,615,709
Total Capital Assets, Being Depreciated	<u>21,893,252</u>	<u>122,554</u>	<u>-</u>	<u>22,015,806</u>
Less: accumulated depreciation				
Buildings, improvements and fixed structures	(4,398,395)	(352,434)	-	(4,750,829)
Infrastructure	(873,267)	(120,623)	-	(993,890)
Furniture and equipment	(1,738,662)	(210,642)	-	(1,949,304)
Vehicles	(1,847,682)	(225,922)	-	(2,073,604)
Total Accumulated Depreciation	<u>(8,858,006)</u>	<u>(909,621)</u>	<u>-</u>	<u>(9,767,627)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,035,246</u>	<u>(787,067)</u>	<u>-</u>	<u>12,248,179</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,894,851</u>	<u>\$ (419,791)</u>	<u>\$ -</u>	<u>\$ 18,475,060</u>

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

General government	\$	102,833
Public works		131,914
Fire services		112,815
Police		177,187
Parks and recreation		32,913
Beach and swim		34,998
Golf course		316,961
Total depreciation	\$	<u>909,621</u>

Capital asset activity for the City's business-type activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Water system	\$ 6,398,697	\$ -	\$ (6,398,697)	\$ -
Total Capital Assets, Not Being Depreciated	<u>6,398,697</u>	<u>-</u>	<u>(6,398,697)</u>	<u>-</u>
Capital assets, being depreciated				
Water system	17,932,231	7,472,150	-	25,404,381
Legal and engineering fees	150,289	-	-	150,289
Vehicles and equipment	1,062,700	5,979	-	1,068,679
Software	35,699	-	-	35,699
Total Capital Assets, Being Depreciated	<u>19,180,919</u>	<u>7,478,129</u>	<u>-</u>	<u>26,659,048</u>
Less: accumulated depreciation				
Water system	(4,494,551)	(777,726)	-	(5,272,277)
Legal and engineering fees	(85,163)	(5,010)	-	(90,173)
Vehicles and equipment	(667,257)	(59,878)	-	(727,135)
Software	(35,699)	-	-	(35,699)
Total Accumulated Depreciation	<u>(5,282,670)</u>	<u>(842,614)</u>	<u>-</u>	<u>(6,125,284)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,898,249</u>	<u>6,635,515</u>	<u>-</u>	<u>20,533,764</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,296,946</u>	<u>\$ 6,635,515</u>	<u>\$ (6,398,697)</u>	<u>\$ 20,533,764</u>

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

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.

\$ 560,000

\$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.

5,420,000

\$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

\$4,000,000 General Obligation Bond Series 2018 was issued in August 2018 to provide funds to finance the construction of a new police department. Principal payments are due in annual installments ranging from \$59,000 to \$1,000,000 each June 1. The interest rate of the Series 2018 Bonds is 3.610% and is payable semi-annually on each December 1 and June 1. The bonds mature in 2033.

4,000,000

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 interest at 3.16%.

6,898,000

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.

6,454,703

Total

\$ 25,516,703

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
2019	\$ 510,000	\$ 320,612	\$ 830,612
2020	684,000	340,588	1,024,588
2021	711,000	321,571	1,032,571
2022	733,000	301,431	1,034,431
2023	755,000	280,665	1,035,665
2024-2028	4,079,000	1,099,735	5,178,735
2029-2032	4,692,000	489,721	5,181,721
	<u>\$ 12,164,000</u>	<u>\$ 3,154,323</u>	<u>\$ 15,318,323</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
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	633,155	281,434	914,589
2024-2028	3,427,138	1,140,617	4,567,755
2029-2033	3,910,929	648,158	4,559,087
2034-2038	1,843,566	192,894	2,036,460
2038-2043	664,978	86,119	751,097
2044-2048	506,569	19,202	525,771
	<u>\$ 13,352,703</u>	<u>\$ 3,656,234</u>	<u>\$ 17,008,937</u>

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, 2018 was \$130,224 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Vehicles	\$ 476,650
Equipment	<u>679,252</u>
	1,155,902
Less accumulated amortization	<u>(377,538)</u>
	<u>\$ 778,364</u>

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

Fiscal Year Ending September 30,	General Long-term Debt
2019	\$ 277,865
2020	247,062
2021	<u>186,862</u>
Total lease payments	711,789
Less: amount representing interest	<u>(22,757)</u>
Present value of minimum lease payments	<u>\$ 689,032</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, 2018 was \$130,224 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Utility vehicles and equipment	\$ 1,703,321
Less accumulated amortization	<u>(313,809)</u>
	<u>\$ 1,389,512</u>

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

Fiscal Year Ending September 30,	General Long-term Debt
2019	\$ 201,049
2020	201,049
2021	182,085
2022	160,778
2023	160,778
Thereafter	<u>618,276</u>
Total lease payments	1,524,015
Less: amount representing interest	<u>(164,695)</u>
Present value of minimum lease payments	<u>\$ 1,359,320</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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	54,787	3,241	58,028
2024-2025	80,416	2,503	82,919
	<u>\$ 367,591</u>	<u>\$ 32,280</u>	<u>\$ 399,871</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, 2018, the City collected and reimbursed the developer \$126,352. The balance outstanding at September 30, 2018 is \$42,658.

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, 2018:

Long-term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Series 2012	\$ 613,000	\$ -	\$ 53,000	\$ 560,000	\$ 55,000
Series 2013	5,888,669	-	468,669	5,420,000	455,000
Series 2016	2,184,000	-	-	2,184,000	-
Series 2018	-	4,000,000	-	4,000,000	-
Bond Premium	283,414	-	22,825	260,589	22,825
Total Bonds Payable	<u>8,969,083</u>	<u>4,000,000</u>	<u>544,494</u>	<u>12,424,589</u>	<u>532,825</u>
Other Liabilities:					
Capital Leases	950,235	-	261,203	689,032	265,637
Notes Payable	424,406	-	56,815	367,591	58,292
Compensated Absences	233,548	198,141	233,548	198,141	198,141
Total Other Liabilities	<u>1,608,189</u>	<u>198,141</u>	<u>551,566</u>	<u>1,254,764</u>	<u>522,070</u>
	<u>\$ 10,577,272</u>	<u>\$ 4,198,141</u>	<u>\$ 1,096,060</u>	<u>\$ 13,679,353</u>	<u>\$ 1,054,895</u>
Business-type Activities:					
General Obligation Bonds:					
Series 2013	\$ 26,331	\$ -	\$ 26,331	\$ -	\$ -
Bond Premium	418	-	418	-	-
Revenue Bonds:					
Series 2014	7,221,000	-	323,000	6,898,000	340,000
Series 2016	6,270,729	410,318	226,344	6,454,703	230,045
Total Bonds Payable	<u>13,518,478</u>	<u>410,318</u>	<u>576,093</u>	<u>13,352,703</u>	<u>570,045</u>
Other Liabilities:					
Due to Developers	169,010	-	126,352	42,658	-
Capital Leases	1,553,157	-	193,837	1,359,320	168,648
Compenstated Absences	15,116	3,053	-	18,169	18,169
Total Other Liabilities	<u>1,737,283</u>	<u>3,053</u>	<u>320,189</u>	<u>1,420,147</u>	<u>186,817</u>
	<u>\$ 15,255,761</u>	<u>\$ 413,371</u>	<u>\$ 896,282</u>	<u>\$ 14,772,850</u>	<u>\$ 756,862</u>

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2018, 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
Total	<u>\$ 50,766</u>	<u>\$ 50,766</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, 2018 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>\$ 50,532</u>	<u>\$ 50,532</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 South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conduction that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SCPEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions

to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issued a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS 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 benefits pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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

Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly 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 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 assets are not part of the retirement systems' trust funds for financial statement purposes. 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 contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, and 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 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 exempt 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 year credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- 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 deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

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

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

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56

percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	13.41%	11.41%
Employee Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	15.84%	13.84%
Employee Class Three	15.84%	13.84%
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. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed as least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

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

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

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

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

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

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

Net Pension Liability

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

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30 year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 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>
Global Equity	45.0%		
Global public equity	31.0%	6.72%	2.08%
Private equity	9.0%	9.60%	0.83%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real estate (private)	5.0%	4.32%	0.22%
Real estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/ Risk parity	10.0%	4.16%	0.42%
Hedge funds (non-PA)	4.0%	3.82%	0.15%
Other opportunistic strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed credit	6.0%	3.92%	0.24%
Emerging markets debt	5.0%	5.01%	0.25%
Private debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core fixed income	10.0%	1.60%	0.16%
Cash and short duration (net)	2.0%	0.92%	0.02%
Total expected real return	100.0%		5.31%
Inflation for Actuarial purposes			2.25%
Total expected nominal return			7.56%

Discount Rate

The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,602,511	\$ 5,122,742	\$ 4,224,857
PORS	\$ 4,938,772	\$ 3,657,834	\$ 2,648,856

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 June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

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

At September 30, 2018, the City reported a liability of \$8,780,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the City recognized pension expense of \$1,490,067. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 22,837	\$ 2,839
Net difference between projected and actual earnings on pension plan investments	143,003	-
Assumption changes	299,882	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	772,389	-
City contributions subsequent to the measurement date	337,284	-
Total SCRS	<u>1,575,395</u>	<u>2,839</u>
PORS		
Differences between expected and actual experience	32,617	-
Net difference between projected and actual earnings on pension plan investments	130,343	-
Assumption changes	347,162	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	323,233	-
City contributions subsequent to the measurement date	349,421	-
Total PORS	<u>1,182,776</u>	<u>-</u>
Total SCRS and PORS	<u>\$ 2,758,171</u>	<u>\$ 2,839</u>

\$686,705 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.073 years for SCRS. The difference between each year's expected and actual funding experience and the changes in proportionate share are required to be amortized over 4.073 years. However, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

Measurement Period Ending June 30,	SCRS	PORS	Total
2018	\$ 303,283	\$ 204,605	\$ 507,888
2019	303,283	204,605	507,888
2020	303,283	204,605	507,888
2021	303,283	204,605	507,888
2022	22,140	14,935	37,075
Net Balance of Deferred Outflow/(Inflow) of Resources	<u>\$ 1,235,272</u>	<u>\$ 833,355</u>	<u>\$ 2,068,627</u>

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, 2018.

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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								
Nonspendable								
Prepaid	\$ 56,584	\$ -	\$ -	\$ -	\$ -	\$ 18,502	\$ -	\$ 75,086
Inventory	-	-	-	-	-	52,939	-	52,939
Restricted								
In accordance with								
donor stipulations	3,844,938	6,116	-	-	-	-	-	3,851,054
Victims' rights	66,068	-	-	-	-	-	-	66,068
Hospitality	-	-	-	-	242,619	-	1,112,260	1,354,879
Committed								
Police	-	-	12,483	-	-	-	-	12,483
Beach and Swim	-	-	-	40,001	-	-	-	40,001
Unassigned								
	1,946,981	-	-	-	-	249,231	-	2,196,212
Total	\$ 5,914,571	\$ 6,116	\$ 12,483	\$ 40,001	\$ 242,619	\$ 320,672	\$ 1,112,260	\$ 7,648,722

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 police station. As of September 30, 2018, approximately \$3.9 million 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 \$299,500 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 4 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SCRS</u>				
Contractually required Contribution	\$ 337,284	\$ 284,612	\$ 234,049	\$ 199,908
Contributions in relation to the contractually required contribution	<u>(337,284)</u>	<u>(284,612)</u>	<u>(234,049)</u>	<u>(199,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,464,905	\$ 2,380,264	\$ 2,118,082	\$ 1,852,173
Contributions as a percentage of covered-employee payroll	13.70%	11.10%	11.05%	10.79%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PORS</u>				
Contractually required Contribution	\$ 349,421	\$ 279,516	\$ 221,755	\$ 206,535
Contributions in relation to the contractually required contribution	<u>(349,421)</u>	<u>(279,516)</u>	<u>(221,755)</u>	<u>(206,535)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,168,612	\$ 1,941,511	\$ 1,645,502	\$ 1,577,034
Contributions as a percentage of covered-employee payroll	16.10%	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 4 FISCAL YEARS

	2018	2017	2016	2015
<u>SCRS</u>				
City's proportion of the net pension liability	0.023%	0.021%	0.018%	0.014%
City's proportionate share of the net pension liability	\$ 5,122,742	\$ 4,405,470	\$ 3,417,390	\$ 2,379,518
City's covered-employee payroll	\$ 2,380,264	\$ 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	215.2%	207.9%	184.51%	173.9%
Plan fiduciary net position as a percentage of the total pension liability	53.3%	52.9%	57.0%	59.9%
	2018	2017	2016	2015
<u>PORS</u>				
City's proportion of the net pension liability	0.134%	0.123%	0.116%	0.109%
City's proportionate share of the net pension liability	\$ 3,657,834	\$ 3,108,906	\$ 2,531,529	\$ 2,083,223
City's covered-employee payroll	\$ 1,941,511	\$ 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	188.4%	188.9%	160.5%	150.4%
Plan fiduciary net position as a percentage of the total pension liability	60.9%	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, 2018

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, 2017, 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, 2018 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Real property	\$ 4,439,561	\$ 4,439,561	\$ 4,508,538	\$ 68,977
Vehicle	654,774	654,774	620,867	(33,907)
Tax penalties	7,500	7,500	14,240	6,740
Totals	<u>5,101,835</u>	<u>5,101,835</u>	<u>5,143,645</u>	<u>41,810</u>
Fines, fees, licenses and permits				
Court fines and forfeitures	133,000	133,000	196,962	63,962
Parking tickets	1,500	1,500	2,805	1,305
Franchise fees	520,000	520,000	528,651	8,651
Inspection and permit fees	1,065,000	1,065,000	1,055,278	(9,722)
Business licenses	1,226,300	1,226,300	1,263,576	37,276
Recreation fees	527,559	527,559	495,241	(32,318)
Waste management fees	800	800	750	(50)
Security fees	46,000	46,000	35,428	(10,572)
Totals	<u>3,520,159</u>	<u>3,520,159</u>	<u>3,578,691</u>	<u>58,532</u>
Intergovernmental				
State shared	172,128	172,128	189,885	17,757
Totals	<u>172,128</u>	<u>172,128</u>	<u>189,885</u>	<u>17,757</u>
Other				
Interest	1,500	1,500	1,443	(57)
Sponsorships	21,000	21,000	21,250	250
Grants	-	-	26,800	26,800
Rentals	87,861	87,861	75,112	(12,749)
Other	2,800	2,800	202,442	199,642
Totals	<u>113,161</u>	<u>113,161</u>	<u>327,047</u>	<u>213,886</u>
Total Revenues	<u>\$ 8,907,283</u>	<u>\$ 8,907,283</u>	<u>\$ 9,239,268</u>	<u>\$ 331,985</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
General Government				
Municipal Council				
Salaries	\$ 20,400	\$ 20,400	\$ 19,500	\$ 900
Employee benefits	1,711	1,711	3,156	(1,445)
Election expense	7,000	7,000	5,368	1,632
Travel and training	5,000	5,000	9,482	(4,482)
Meeting expense	4,000	4,000	4,438	(438)
Strategic planning	-	-	12,111	(12,111)
Flowers	750	750	1,614	(864)
Dues and subscriptions	150	150	100	50
Total Municipal Council	39,011	39,011	55,769	(16,758)
Municipal Court				
Salaries	97,752	97,752	99,435	(1,683)
Employee benefits	33,785	33,785	35,644	(1,859)
Video conferencing	-	-	6,763	(6,763)
Jurors	300	300	160	140
Supplies	2,500	2,500	1,225	1,275
Travel and training	4,000	4,000	2,087	1,913
Postage	50	50	36	14
Reimbursement to other governments	79,800	79,800	120,791	(40,991)
Total Municipal Court	218,187	218,187	266,141	(47,954)
Administration				
Salaries	457,497	457,497	447,171	10,326
Employee benefits	175,295	175,295	161,831	13,464
Professional services	26,500	26,500	25,523	977
Data processing services	16,500	16,500	18,682	(2,182)
Codify ordinances	2,500	2,500	550	1,950
Contract services	6,000	6,000	5,857	143
Auto operation	1,600	1,600	1,235	365
Copier	6,429	6,429	2,052	4,377
IT expenses	2,150	2,150	4,191	(2,041)
Office supplies	12,000	12,000	14,785	(2,785)
Other	5,500	5,500	6,743	(1,243)
Travel and training	6,000	6,000	13,146	(7,146)
Cell phone	3,000	3,000	3,519	(519)
Postage	3,000	3,000	3,411	(411)
Repairs and maintenance	1,000	1,000	1,085	(85)
Software maintenance	4,000	4,000	9,044	(5,044)
Legal advertising	1,000	1,000	795	205
Dues and subscriptions	6,750	6,750	7,993	(1,243)
Total Administration	736,721	736,721	727,613	9,108
Total General Government	993,919	993,919	1,049,523	(55,604)

(continued)

CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Developmental Services				
Salaries	\$ 342,989	\$ 342,989	\$ 338,963	\$ 4,026
Employee benefits	128,469	128,469	125,137	3,332
Medical	500	500	-	500
Professional services	12,000	12,000	17,571	(5,571)
Copier	4,827	4,827	2,351	2,476
IT expenses	2,300	2,300	1,614	686
Software maintenance	8,500	8,500	7,726	774
Uniforms	500	500	656	(156)
Supplies	5,000	5,000	4,773	227
Travel and training	10,290	10,290	4,312	5,978
Cell phone	4,880	4,880	3,018	1,862
Auto operation	2,000	2,000	1,540	460
Vehicle maintenance	1,000	1,000	439	561
Dues and subscriptions	1,200	1,200	1,409	(209)
Total Developmental Services	524,455	524,455	509,509	14,946
Public Works				
Salaries	361,147	361,147	361,890	(743)
Employee benefits	166,239	166,239	175,264	(9,025)
Medical	500	500	126	374
Professional services	5,000	5,000	2,151	2,849
Uniforms	5,500	5,500	3,244	2,256
IT expenses	1,000	1,000	-	1,000
Auto operation	16,000	16,000	17,109	(1,109)
BCAC	7,500	7,500	-	7,500
Other	-	-	6,870	(6,870)
Tree care	7,000	7,000	6,001	999
Landfill charges	750	750	500	250
Small tools	1,000	1,000	827	173
Supplies	19,000	19,000	17,167	1,833
Travel and training	2,500	2,500	1,795	705
Cell phone	6,655	6,655	7,353	(698)
Repairs - equipment	3,000	3,000	6,127	(3,127)
Building grounds/maintenance	4,000	4,000	1,702	2,298
Vehicle maintenance	12,000	12,000	10,302	1,698
Street maintenance	100,000	100,000	88,066	11,934
Tree work	8,000	8,000	13,306	(5,306)
Monument costs	-	-	14,662	(14,662)
Contract lawn care	62,000	62,000	43,050	18,950
Dues and subscriptions	310	310	165	145
Capital outlay	3,700	3,700	5,115	(1,415)
Total Public Works	792,801	792,801	782,792	10,009
Police Department				
Salaries	1,388,444	1,388,444	1,388,547	(103)
Employee benefits	651,691	651,691	640,373	11,318
Medical	1,000	1,000	2,080	(1,080)

(continued)

CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Police Department (continued)				
Uniforms	\$ 22,000	\$ 22,000	\$ 18,294	\$ 3,706
Auto operation	48,000	48,000	59,992	(11,992)
Boat operations	3,000	3,000	980	2,020
Postage	400	400	183	217
Software maintenance	22,691	22,691	45,319	(22,628)
Supplies	25,000	25,000	48,762	(23,762)
Office supplies	8,000	8,000	7,797	203
Other	-	-	-	-
Travel and training	30,000	30,000	27,858	2,142
Cell phones	26,670	26,670	22,451	4,219
Board and lodge prisoners	25,000	25,000	39,458	(14,458)
Repairs - equipment	5,000	5,000	3,758	1,242
Building/grounds maintenance	8,000	8,000	11,004	(3,004)
Repairs - vehicle	15,000	15,000	20,195	(5,195)
Dues and subscription	1,400	1,400	2,337	(937)
Copier	19,869	19,869	13,352	6,517
IT expenses	22,250	22,250	20,623	1,627
Dispatch services	129,380	129,380	131,049	(1,669)
Capital outlay	43,000	43,000	306,485	(263,485)
Community relations	7,000	7,000	6,208	792
Total Police Department	2,502,795	2,502,795	2,817,105	(314,310)
Fire Services				
Salaries	817,998	817,998	881,743	(63,745)
Employee benefits	356,333	356,333	341,400	14,933
Medical	2,000	2,000	2,262	(262)
Uniforms	8,000	8,000	7,899	101
Fuel	15,500	15,500	16,444	(944)
Supplies	6,500	6,500	14,277	(7,777)
Travel and training	11,500	11,500	16,976	(5,476)
Cell phones	1,500	1,500	2,089	(589)
Utilities	14,000	14,000	14,837	(837)
Repairs - vehicle	37,000	37,000	7,970	29,030
Repairs - equipment	4,000	4,000	4,220	(220)
Contribution	21,700	21,700	21,720	(20)
Building and grounds maintenance	10,000	10,000	21,700	(11,700)
Apparatus and equipment	43,000	43,000	56,562	(13,562)
Volunteer response	5,000	5,000	1,550	3,450
EMS	12,000	12,000	14,514	(2,514)
IT expenses	8,000	8,000	7,550	450
Capital outlay	-	-	6,000	(6,000)
Total Fire Services	1,374,031	1,374,031	1,439,713	(65,682)

(continued)

CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Parks and Recreation (continued)				
Salaries	\$ 186,608	\$ 186,608	\$ 207,930	\$ (21,322)
Employee benefits	79,503	79,503	100,760	(21,257)
Medical	250	250	398	(148)
Sports uniforms	80,000	80,000	79,871	129
Uniforms	450	450	460	(10)
Referees/extra help	40,000	40,000	43,002	(3,002)
On-line registration	850	850	-	850
Supplies	8,000	8,000	7,951	49
IT expenses	1,000	1,000	246	754
Travel and training	2,500	2,500	2,937	(437)
Auto operations	3,000	3,000	4,087	(1,087)
Vehicle maintenance	1,000	1,000	1,254	(254)
Cell phones	2,165	2,165	2,374	(209)
Equipment repairs and maintenance	2,000	2,000	1,678	322
Contract grounds maintenance	53,000	53,000	65,457	(12,457)
Athletic field supplies	3,500	3,500	3,001	499
Recreation equipment	9,000	9,000	7,287	1,713
Professional insurance	4,000	4,000	6,455	(2,455)
Dues and subscriprion	700	700	760	(60)
Entry fees	4,300	4,300	3,543	757
Park maintenance	40,000	40,000	42,387	(2,387)
Trail maintenance	2,500	2,500	2,596	(96)
Doggie stations	5,000	5,000	4,054	946
PARD	-	-	19,000	(19,000)
Field usage	13,000	13,000	7,366	5,634
Total Parks and Recreation	542,326	542,326	614,854	(72,528)
Non-departmental				
Safety program	22,500	22,500	22,143	357
Flags	2,000	2,000	1,348	652
Employees program	2,000	2,000	2,045	(45)
Street lights	21,500	21,500	30,485	(8,985)
Computer repair	49,000	49,000	59,401	(10,401)
Operational contingency	155,880	155,880	-	155,880
C-Fund road work	-	-	297,295	(297,295)
Legal fees	108,000	108,000	89,563	18,437
Property insurance	80,850	80,850	113,390	(32,540)
Waste management services	710,000	710,000	723,351	(13,351)
Utilities	108,000	108,000	139,434	(31,434)
Stormwater fees	13,440	13,440	15,660	(2,220)
City Hall building expenses	6,000	6,000	13,602	(7,602)
Boat storage cost	2,000	2,000	-	2,000

(continued)

CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Non-departmental (continued)				
RFATS	\$ -	\$ -	\$ 1,264	\$ (1,264)
Other	-	-	43,992	(43,992)
Stonecrest HOA dues	4,800	4,800	1,846	2,954
Capital outlay	-	-	10,860	(10,860)
Total Non-departmental	<u>1,285,970</u>	<u>1,285,970</u>	<u>1,565,679</u>	<u>(279,709)</u>
Debt Service				
Principal	909,274	909,274	640,742	268,532
Interest and fiscal charges	-	-	242,301	(242,301)
Total Debt Service	<u>909,274</u>	<u>909,274</u>	<u>883,043</u>	<u>26,231</u>
Total Expenditures	<u>8,925,571</u>	<u>8,925,571</u>	<u>9,662,218</u>	<u>(736,647)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(18,288)</u>	<u>(18,288)</u>	<u>(422,950)</u>	<u>(404,662)</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	-	4,000,000	4,000,000
Sale of general capital assets	10,000	10,000	-	(10,000)
Insurance recoveries	-	-	19,113	19,113
Transfers in/(out)				
Beach and Swim Club Fund	8,288	8,288	8,288	-
Total Other Financing Sources (Uses)	<u>18,288</u>	<u>18,288</u>	<u>4,027,401</u>	<u>4,009,113</u>
Net Change in Fund Balance	-	-	3,604,451	3,604,451
Fund Balance, beginning	<u>2,310,120</u>	<u>2,310,120</u>	<u>2,310,120</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,310,120</u>	<u>\$ 2,310,120</u>	<u>\$ 5,914,571</u>	<u>\$ 3,604,451</u>

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 Six 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, 2018

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
Assets							
Cash and cash investments	\$ 6,116	\$ 12,483	\$ 69,536	\$ 385,234	\$ 274,168	\$ 1,187,317	\$ 1,934,854
Accounts receivable	-	-	332	65,509	25,826	-	91,667
Inventory	-	-	-	52,939	-	-	52,939
Prepaid expenses	-	-	505	18,502	-	-	19,007
Total Assets	<u>\$ 6,116</u>	<u>\$ 12,483</u>	<u>\$ 70,373</u>	<u>\$ 522,184</u>	<u>\$ 299,994</u>	<u>\$ 1,187,317</u>	<u>\$ 2,098,467</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 102,539	\$ 15,530	\$ -	\$ 118,069
Accrued expenses	-	-	752	44,868	-	-	45,620
Unearned revenue	-	-	-	54,105	-	-	54,105
Due to other funds	-	-	29,620	-	41,845	75,057	146,522
Total Liabilities	<u>-</u>	<u>-</u>	<u>30,372</u>	<u>201,512</u>	<u>57,375</u>	<u>75,057</u>	<u>364,316</u>
Fund Balances							
Nonspendable	-	-	-	71,441	-	-	71,441
Restricted	6,116	-	-	-	242,619	1,112,260	1,360,995
Committed	-	12,483	40,001	-	-	-	52,484
Unassigned	-	-	-	249,231	-	-	249,231
Total Fund Balances	<u>6,116</u>	<u>12,483</u>	<u>40,001</u>	<u>320,672</u>	<u>242,619</u>	<u>1,112,260</u>	<u>1,734,151</u>
Total Liabilities and Fund Balances	<u>\$ 6,116</u>	<u>\$ 12,483</u>	<u>\$ 70,373</u>	<u>\$ 522,184</u>	<u>\$ 299,994</u>	<u>\$ 1,187,317</u>	<u>\$ 2,098,467</u>

CITY OF TEGA CAY
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2018

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
Revenues							
Hospitality tax	\$ -	\$ -	\$ -	\$ -	\$ 264,028	\$ -	\$ 264,028
Event fees	-	-	-	-	-	8,560	8,560
Memberships	-	-	154,065	-	-	-	154,065
Golf	-	-	-	1,466,560	-	22,314	1,488,874
Pool and tennis	-	-	-	7,712	-	-	7,712
Club rentals	-	-	3,870	-	-	-	3,870
Swim team	-	-	8,447	-	-	-	8,447
Drug seizures	-	7,164	-	-	-	-	7,164
Interest	-	-	24	15	-	4,780	4,819
Other	3,625	-	542	-	-	111,228	115,395
Total Revenues	<u>3,625</u>	<u>7,164</u>	<u>166,948</u>	<u>1,474,287</u>	<u>264,028</u>	<u>146,882</u>	<u>2,062,934</u>
Expenditures							
Salaries	-	-	39,329	-	20,790	-	60,119
Employee benefits	-	-	13,205	-	-	-	13,205
Pool management	-	-	51,448	-	-	-	51,448
Sanitation	-	-	1,630	-	-	-	1,630
Supplies	-	-	4,028	-	-	-	4,028
Advertising	-	-	101	-	-	-	101
Other	1,525	11,770	7,932	-	8,295	-	29,522
Cell phone	-	-	401	-	-	-	401
Utilities	-	-	24,557	-	-	-	24,557
Equipment repairs and maintenance	-	-	4,930	-	-	-	4,930
Building and grounds maintenance	-	-	7,270	-	43,141	-	50,411
Swim team	-	-	5,000	-	-	-	5,000
Professional insurance	-	-	3,489	-	-	-	3,489
Golf club management	-	-	-	1,237,269	-	-	1,237,269
Community Events	-	-	-	-	-	96,287	96,287
Capital outlay	-	-	-	-	48,412	112,958	161,370
Debt service							
Principal	-	-	8,294	170,295	20,356	-	198,945
Interest	-	-	690	12,207	4,261	-	17,158
Total Expenditures	<u>1,525</u>	<u>11,770</u>	<u>172,304</u>	<u>1,419,771</u>	<u>145,255</u>	<u>209,245</u>	<u>1,959,870</u>
Excess of Revenues Over (Under) Expenditures	<u>2,100</u>	<u>(4,606)</u>	<u>(5,356)</u>	<u>54,516</u>	<u>118,773</u>	<u>(62,363)</u>	<u>103,064</u>
Other Financing Sources (Uses)							
Transfers in/(out)							
Special revenue fund	-	-	-	-	(42,794)	42,794	-
General fund	-	-	(8,288)	-	-	-	(8,288)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(8,288)</u>	<u>-</u>	<u>(42,794)</u>	<u>42,794</u>	<u>(8,288)</u>
Net Change in Fund Balances	2,100	(4,606)	(13,644)	54,516	75,979	(19,569)	94,776
Fund Balances, beginning	4,016	17,089	53,645	266,156	166,640	1,131,829	1,639,375
Fund Balances, ending	<u>\$ 6,116</u>	<u>\$ 12,483</u>	<u>\$ 40,001</u>	<u>\$ 320,672</u>	<u>\$ 242,619</u>	<u>\$ 1,112,260</u>	<u>\$ 1,734,151</u>

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, 2018

	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Golf	\$ 1,288,297	\$ 1,466,560	\$ 178,263
Pool and tennis	8,363	7,712	(651)
Interest	-	15	15
Total Revenues	<u>1,296,660</u>	<u>1,474,287</u>	<u>177,627</u>
Expenditures			
Golf	344,685	457,234	(112,549)
Pool and tennis	9,500	9,599	(99)
Golf course maintenance	538,228	572,477	(34,249)
Property operations	53,934	65,743	(11,809)
Sales and marketing	10,340	10,843	(503)
General and administrative	128,476	121,373	7,103
Debt service			
Principal	-	170,295	(170,295)
Interest	-	12,207	(12,207)
Total Expenditures	<u>1,085,163</u>	<u>1,419,771</u>	<u>(334,608)</u>
Excess of Revenues Over (Under) Expenditures	<u>211,497</u>	<u>54,516</u>	<u>(156,981)</u>
Other Financing Sources (Uses)			
Proceeds from debt issuance	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	211,497	54,516	(156,981)
Fund Balances, beginning	<u>240,838</u>	<u>266,156</u>	<u>-</u>
Fund Balances, ending	<u>\$ 452,335</u>	<u>\$ 320,672</u>	<u>\$ (131,663)</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, 2018**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating Revenues			
Tap fees	\$ 225,000	\$ 570,112	\$ 345,112
Irrigation taps	25,000	35,200	10,200
Water fees	2,091,324	2,070,664	(20,660)
Sewer fees	2,170,140	2,124,010	(46,130)
Water activation fees	20,000	25,650	5,650
Reconnect fees	17,000	14,349	(2,651)
Penalties	3,000	6,984	3,984
Miscellaneous	20,000	13,918	(6,082)
Total Operating Revenues	<u>4,571,464</u>	<u>4,860,887</u>	<u>289,423</u>
Operating Expenses			
Salaries	816,004	748,542	67,462
Employee benefits	313,417	484,967	(171,550)
Legal and professional services	130,000	146,977	(16,977)
Water purchased	619,044	709,056	(90,012)
Sewer treatment fees	422,639	511,762	(89,123)
Sewer clean-out	35,000	8,322	26,678
Water testing	7,500	3,739	3,761
Meters and supplies	160,000	169,063	(9,063)
Administration expense	10,000	-	10,000
Training and education	8,000	7,273	727
Auto expense	21,600	24,320	(2,720)
Cell phone	7,500	7,104	396
Miscellaneous	14,400	18,013	(3,613)
Chemicals	65,000	84,451	(19,451)
Depreciation	-	805,382	(805,382)
Utilities	120,000	183,594	(63,594)
Sludge hauling	80,000	95,818	(15,818)
Treatment plant maintenance	120,000	104,570	15,430
Office supplies	1,000	5,799	(4,799)
Lift station maintenance	75,000	55,762	19,238
Billing	36,000	28,201	7,799
Vehicle maintenance	12,500	11,398	1,102
Software maintenance	25,000	33,320	(8,320)
Insurance	16,800	16,921	(121)
Water tower maintenance	45,000	12,358	32,642
Dues and subscriptions	900	865	35
SDW act	18,000	30,648	(12,648)
Total Operating Expenses	<u>3,180,304</u>	<u>4,308,225</u>	<u>(1,127,921)</u>
Operating Income	<u>1,391,160</u>	<u>552,662</u>	<u>(838,498)</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, 2018

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Nonoperating Revenues (Expenses)			
Grant revenue	\$ -	\$ 363,150	\$ 363,150
Interest revenue	20	1,421	1,401
Interest expense and fiscal charges	(354,941)	(354,941)	-
Total Nonoperating Revenues (Expenses)	<u>(354,921)</u>	<u>9,630</u>	<u>364,551</u>
Change in Net Position	1,036,239	562,292	(473,947)
Net Position, beginning	<u>5,261,098</u>	<u>5,261,098</u>	<u>-</u>
Net Position, ending	<u>\$ 6,297,337</u>	<u>\$ 5,823,390</u>	<u>\$ (473,947)</u>

**CITY OF TEGA CAY
STORMWATER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating Revenues			
Stormwater compliance fees	\$ 490,340	\$ 500,117	\$ 9,777
Total Operating Revenues	<u>490,340</u>	<u>500,117</u>	<u>9,777</u>
Operating Expenses			
Salaries	158,284	147,840	10,444
Employee benefits	77,030	109,695	(32,665)
Professional services	18,000	15,722	2,278
Cell phone	1,500	2,508	(1,008)
Permits	2,000	2,000	-
Billing services	2,100	2,048	52
Vehicle maintenance	22,000	18,928	3,072
Insurance	4,200	5,233	(1,033)
Auto expense	16,500	22,732	(6,232)
Drainage maintenance materials	101,146	93,650	7,496
Information technology	9,001	9,742	(741)
Dues and subscriptions	150	-	150
Depreciation	-	37,232	(37,232)
Total Operating Expenses	<u>411,911</u>	<u>467,330</u>	<u>(55,419)</u>
Operating Income (Loss)	<u>78,429</u>	<u>32,787</u>	<u>(45,642)</u>
Nonoperating Revenues (Expenses)			
Interest expense and fiscal charges	(539)	(539)	-
Total Nonoperating Revenues (Expenses)	<u>(539)</u>	<u>(539)</u>	<u>-</u>
Change in Net Position	77,890	32,248	(45,642)
Net Position, beginning	<u>113,656</u>	<u>113,656</u>	<u>-</u>
Net Position, ending	<u>\$ 191,546</u>	<u>\$ 145,904</u>	<u>\$ (45,642)</u>

CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED SEPTEMBER 30, 2018

Assessments and Surcharges Retained by the City for Victims' Assistance	\$ 16,356
Assessments and Surcharges Remitted to the State Treasurer	119,264
Total Fines, Assessments, and Surcharges Collected	<u>\$ 135,620</u>
 Municipal Court Revenue to State of South Carolina	
Court Assessments to the State Treasurer	\$ 71,223
DUI Assessments to the State Treasurer	185
DUI Surcharges to the State Treasurer	1,538
DUS/DUI/DPS Pullouts to the State Treasurer	2,561
Drug Surcharges	6,560
Law Enforcement Surcharges to State Treasurer	36,636
DUI/DUAC Test Conviction Fees	385
Other	175
Total Court Revenue to the State Treasurer	<u>\$ 119,263</u>
 Victims Services	
Court Assessments Allocated to Victim Services	\$ 8,950
Court Surcharges Allocated to Victim Services	7,406
Funds Allocated to Victim Services	16,356
Victim Services Expenditures	<u>-</u>
Excess of Revenues Over Expenditures	16,356
Fund Balance, beginning	<u>49,712</u>
Fund Balance, ending	<u>\$ 66,068</u>