

**CITY OF TEGA CAY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

CITY OF TEGA CAY

AUDITED FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019

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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, 2019, 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  
January 23, 2020

### **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, 2019, 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  
January 23, 2020

## 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, 2019. 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 \$13,870,468 (*net position*). Of this amount, the unrestricted net position balance is \$(1,955,802).
- The City's total net position for governmental activities decreased \$(23,528) 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 \$131,512.
- The City issued new debt during the year consisting of \$2,262,249 in bond issues and capital leases.
- The City repaid \$1,677,391 of bonds, notes and capital lease payables during the year.
- During the year, the City's governmental activity expenses were \$12,437,815, program revenues were \$5,417,581 and general revenues were \$6,996,706. This resulted in an excess of expenses over revenues of \$23,528 in the governmental activities.
- In the City's business-type activities, operating revenues were \$5,833,883 while expenses were \$5,702,371. This resulted in an operating gain of \$131,512.
- The City's governmental capital assets, net of depreciation at September 30, 2019, totaled \$21,866,832 while business-type capital assets, net of depreciation, totaled \$21,125,351. The City's governmental capital assets increased by \$3,391,772 during the year and the business-type capital assets increased by \$591,587 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,595,208, a decrease of \$3,053,514 from the prior year. The decrease is primarily due to the construction of a new police station. Approximately 66 percent of this total amount, \$3,026,221 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,683,636 or 19 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

## GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

The City has two kinds of funds:

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

## GOVERNMENT- WIDE FINANCIAL ANALYSIS

### Net Position

The City's combined net position increased \$107,984 or 0.78 percent between fiscal years 2019 and 2018. (See Table A-1.) The largest portion of the City's net position (103%) 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	
	2019	2018	2019	2018	2019	2018
Current and other	\$ 5,580,090	\$ 8,696,722	\$ 2,524,587	\$ 1,757,611	\$ 8,104,677	\$ 10,454,333
Capital assets	21,866,832	18,475,060	21,125,351	20,533,764	42,992,183	39,008,824
Total assets	27,446,922	27,171,782	23,649,938	22,291,375	51,096,860	49,463,157
Deferred outflows of resources	2,172,339	2,273,356	380,582	527,758	2,552,921	2,801,114
Total deferred outflows of resources	2,172,339	2,273,356	380,582	527,758	2,552,921	2,801,114
Long-term debt	20,978,574	20,743,811	17,478,681	16,488,968	38,457,255	37,232,779
Other liabilities	850,590	906,250	440,739	359,919	1,291,329	1,266,169
Total liabilities	21,829,164	21,650,061	17,919,420	16,848,887	39,748,584	38,498,948
Deferred inflows of resources	20,435	1,887	10,294	952	30,729	2,839
Total deferred inflows of resources	20,435	1,887	10,294	952	30,729	2,839
Net position						
Invested in capital assets, net of related debt	8,818,258	5,081,040	5,421,658	6,479,607	14,239,916	11,560,647
Restricted	81,756	3,911,006	1,586,354	623,121	1,668,110	4,534,127
Unrestricted (deficit)	(1,130,352)	(1,198,856)	(907,206)	(1,133,434)	(2,037,558)	(2,332,290)
Total net position	\$ 7,769,662	\$ 7,793,190	\$ 6,100,806	\$ 5,969,294	\$ 13,870,468	\$ 13,762,484

**Changes in Net Position.** The City's total reported revenues increased by \$ 1,400,000 to \$18.2 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 \$1.2 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
	2019	2018	2019	2018	2019	2018	2019-2018
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 5,416	\$ 4,700	\$ 5,368	\$ 5,347	\$ 10,784	\$ 10,047	7.34%
Grants and contributions	2	27	458	363	460	390	17.95%
General revenues							
Property taxes	5,522	5,144	-	-	5,522	5,144	7.35%
Other taxes	823	793	-	-	823	793	3.78%
Intergovernmental	187	190	-	-	187	190	-1.58%
Other	464	612	8	15	472	627	-24.72%
Transfers	-	-	-	-	-	-	0.00%
<b>Total revenues</b>	<b>12,414</b>	<b>11,466</b>	<b>5,834</b>	<b>5,725</b>	<b>18,248</b>	<b>17,191</b>	<b>6.15%</b>
<b>Expenses</b>							
General government	1,905	1,784	-	-	1,905	1,784	6.78%
Building inspection	543	510	-	-	543	510	6.47%
Public works	886	901	-	-	886	901	-1.66%
Public safety	2,854	2,682	-	-	2,854	2,682	6.41%
Fire services	1,648	1,547	-	-	1,648	1,547	6.53%
Community events and services	277	170	-	-	277	170	62.94%
Parks and recreation	693	648	-	-	693	648	6.94%
Non-departmental	1,544	1,555	-	-	1,544	1,555	-0.71%
Beach and Swim Club	181	198	-	-	181	198	-8.59%
Golf course	1,572	1,554	-	-	1,572	1,554	1.16%
Interest and fiscal charges	335	256	-	-	335	256	30.86%
Water and sewer	-	-	5,184	4,663	5,184	4,663	11.17%
Stormwater	-	-	518	468	518	468	10.68%
<b>Total expenses</b>	<b>12,438</b>	<b>11,805</b>	<b>5,702</b>	<b>5,131</b>	<b>18,140</b>	<b>16,936</b>	<b>7.11%</b>
Excess (deficiency) before transfers	(24)	(339)	132	594	108	255	-57.65%
<b>Increase (decrease) in net position</b>	<b>\$ (24)</b>	<b>\$ (339)</b>	<b>\$ 132</b>	<b>\$ 594</b>	<b>\$ 108</b>	<b>\$ 255</b>	<b>-57.65%</b>

## Governmental Activities

Revenues for the City's governmental activities increased \$948,000 or 7 percent, while total expenses increased \$630 thousand or 9 percent.

- Property tax revenues increased approximately \$378 thousand from the prior year primarily due to a growing community.
- Charges for services were \$716 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 \$109 thousand to \$5.8 million, while expenses increased approximately \$571 thousand to 5.7 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 \$4,595,208, a decrease of \$3,053,514 from the prior year. The primary reason for the governmental fund's change is due to construction of a new police station in the prior year.

### General Fund Budgetary Highlights

Actual general fund expenditures were \$4 million above budgeted amounts. This is primarily due to capital outlay expenditures.

Resources available for appropriation were \$364 thousand above the budgeted amount. The increases were due primarily to fines, fees, licenses and permits and other revenues in excess of budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the City had invested \$43 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
	2019	2018	2019	2018	2019	2018	2019-2018
Land and CIP	\$ 9,849	\$ 6,227	\$ 823	\$ -	\$ 10,672	\$ 6,227	71.38%
Buildings and improvements	13,223	13,068	-	-	13,223	13,068	1.19%
Infrastructure	3,738	3,738	25,570	25,555	29,308	29,293	0.05%
Machinery and equipment	5,683	5,209	1,836	1,104	7,519	6,313	19.10%
Accumulated depreciation	(10,626)	(9,768)	(7,104)	(6,125)	(17,730)	(15,893)	11.56%
	<u>\$ 21,867</u>	<u>\$ 18,474</u>	<u>\$ 21,125</u>	<u>\$ 20,534</u>	<u>\$ 42,992</u>	<u>\$ 39,008</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 yearend, the City had \$28.7 million in bonds, notes payable and capital lease obligations outstanding as shown in Table A-4. The City repaid principal of \$1.7 million on bonds, notes and capital leases payable during the year. The City also issued new bonds, notes payable and capital lease obligations totaling \$2.3 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
	2019	2018	2019	2018	2019	2018	2019-2018
Revenue bonds	\$ -	\$ -	\$ 14,038	\$ 13,353	\$ 14,038	\$ 13,353	5.13%
Due to developers	-	-	-	43	-	43	-100.00%
Notes payable	309	368	-	-	309	368	-16.03%
General obligation bonds	11,892	12,425	-	-	11,892	12,425	-4.29%
Capital lease obligations	851	689	1,666	1,359	2,517	2,048	22.90%
	<u>\$ 13,052</u>	<u>\$ 13,482</u>	<u>\$ 15,704</u>	<u>\$ 14,755</u>	<u>\$ 28,756</u>	<u>\$ 28,237</u>	1.84%

### 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, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,629,452	\$ 379,960	\$ 5,009,412
Cash and cash equivalents, restricted	229,877	1,586,354	1,816,231
Receivables (net of allowances for uncollectibles)			
Taxes	227,664	-	227,664
Water and sewer	-	598,718	598,718
Intergovernmental	45,166	-	45,166
Other	229,203	-	229,203
Prepays	91,611	25,059	116,670
Inventory	61,613	-	61,613
Internal balances	65,504	(65,504)	-
Capital assets			
Non-depreciable	9,849,329	822,787	10,672,116
Depreciable, net	12,017,503	20,302,564	32,320,067
<b>Total Assets</b>	<b>27,446,922</b>	<b>23,649,938</b>	<b>51,096,860</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	39,039	-	39,039
Deferred outflows related to pensions	2,133,300	380,582	2,513,882
<b>Total Deferred Outflows of Resources</b>	<b>2,172,339</b>	<b>380,582</b>	<b>2,552,921</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	721,112	358,589	1,079,701
Customer water deposits	-	82,150	82,150
Bail bonds	3,385	-	3,385
Due to developers	58,662	-	58,662
Due to other governmental units	9,537	-	9,537
Unearned revenues	57,894	-	57,894
Long-term liabilities			
Due within one year			
General obligation bonds	530,000	-	530,000
Revenue bonds	-	581,680	581,680
Notes payable	59,665	-	59,665
Capital leases	359,723	310,678	670,401
Compensated absences	225,687	25,655	251,342
Due in more than one year			
General obligation bonds	11,124,000	-	11,124,000
Revenue bonds	-	13,455,978	13,455,978
Notes payable	249,634	-	249,634
Capital leases	490,789	1,355,357	1,846,146
Net pension liability	7,701,313	1,749,333	9,450,646
Unamortized bond premium	237,763	-	237,763
<b>Total Liabilities</b>	<b>21,829,164</b>	<b>17,919,420</b>	<b>39,748,584</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	20,435	10,294	30,729
<b>Total Deferred Inflows of Resources</b>	<b>20,435</b>	<b>10,294</b>	<b>30,729</b>
<b>Net Position</b>			
Net investment in capital assets	8,818,258	5,421,658	14,239,916
Restricted	-	1,586,354	1,586,354
Unrestricted	(1,048,596)	(907,206)	(1,955,802)
<b>Total Net Position</b>	<b>\$ 7,769,662</b>	<b>\$ 6,100,806</b>	<b>\$ 13,870,468</b>

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

CITY OF TEGA CAY  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
Governmental Activities:							
General government	\$ 1,904,667	\$ 1,217,853	\$ 2,000	\$ -	\$ (684,814)	\$ -	\$ (684,814)
Developmental services	543,072	1,058,633	-	-	515,561	-	515,561
Public works	886,272	717,271	-	-	(169,001)	-	(169,001)
Police	2,853,771	185,140	-	-	(2,668,631)	-	(2,668,631)
Fire services	1,647,925	-	-	-	(1,647,925)	-	(1,647,925)
Community events and services	276,611	20,034	-	-	(256,577)	-	(256,577)
Parks and recreation	692,688	495,241	-	-	(197,447)	-	(197,447)
Non-departmental	1,544,076	-	-	-	(1,544,076)	-	(1,544,076)
Beach and swim club	181,453	161,232	-	-	(20,221)	-	(20,221)
Golf course	1,572,347	1,560,177	-	-	(12,170)	-	(12,170)
Interest and fiscal charges	334,933	-	-	-	(334,933)	-	(334,933)
<b>Total Governmental Activities</b>	<b>12,437,815</b>	<b>5,415,581</b>	<b>2,000</b>	<b>-</b>	<b>(7,020,234)</b>	<b>-</b>	<b>(7,020,234)</b>
Business-type Activities:							
Water and sewer	5,184,442	4,839,524	-	456,503	-	111,585	111,585
Stormwater	517,929	530,193	-	-	-	12,264	12,264
<b>Total Business-type Activities</b>	<b>5,702,371</b>	<b>5,369,717</b>	<b>-</b>	<b>456,503</b>	<b>-</b>	<b>123,849</b>	<b>123,849</b>
<b>Total Primary Government</b>	<b>\$ 18,140,186</b>	<b>\$ 10,785,298</b>	<b>\$ 2,000</b>	<b>\$ 456,503</b>	<b>(7,020,234)</b>	<b>123,849</b>	<b>(6,896,385)</b>
<b>General Revenues</b>							
Taxes							
Property taxes					5,522,476	-	5,522,476
Local hospitality taxes					271,346	-	271,346
Franchise taxes					551,336	-	551,336
Miscellaneous					440,434	-	440,434
Intergovernmental revenue					187,055	-	187,055
Interest revenue					18,716	7,663	26,379
Insurance recoveries					5,343	-	5,343
<b>Total General Revenues</b>					<b>6,996,706</b>	<b>7,663</b>	<b>7,004,369</b>
<b>Change in Net Position</b>					<b>(23,528)</b>	<b>131,512</b>	<b>107,984</b>
<b>Net Position, beginning</b>					<b>7,793,190</b>	<b>5,969,294</b>	<b>13,762,484</b>
<b>Net Position, ending</b>					<b>\$ 7,769,662</b>	<b>\$ 6,100,806</b>	<b>\$ 13,870,468</b>

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

**FUND FINANCIAL STATEMENTS**

**CITY OF TEGA CAY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,788,635	\$ 1,840,817	\$ 4,629,452
Cash and cash equivalents, restricted	229,877	-	229,877
Receivables (net of allowances for uncollectibles)			
Taxes	227,664	-	227,664
Intergovernmental	45,166	-	45,166
Other	113,505	115,698	229,203
Due from other funds	142,287	-	142,287
Prepays	83,082	8,529	91,611
Inventory	-	61,613	61,613
<b>Total Assets</b>	<u>\$ 3,630,216</u>	<u>\$ 2,026,657</u>	<u>\$ 5,656,873</u>
<b>Liabilities</b>			
Accounts payable	\$ 198,494	\$ 96,555	\$ 295,049
Other accrued liabilities	345,722	48,691	394,413
Bail bonds	3,385	-	3,385
Due to other funds	-	76,783	76,783
Due to other governmental units	9,537	-	9,537
Due to developers	58,662	-	58,662
Unearned revenue	-	57,894	57,894
<b>Total Liabilities</b>	<u>615,800</u>	<u>279,923</u>	<u>895,723</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	165,942	-	165,942
<b>Total Deferred Inflows of Resources</b>	<u>165,942</u>	<u>-</u>	<u>165,942</u>
<b>Fund Balances</b>			
Nonspendable	83,082	70,142	153,224
Restricted	81,756	1,280,461	1,362,217
Committed	-	53,546	53,546
Unassigned	2,683,636	342,585	3,026,221
<b>Total Fund Balances</b>	<u>2,848,474</u>	<u>1,746,734</u>	<u>4,595,208</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 3,630,216</u>	<u>\$ 2,026,657</u>	<u>\$ 5,656,873</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, 2019**

**Fund Balance - Governmental Funds** \$ 4,595,208

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	32,492,907	
Accumulated depreciation	(10,626,075)	21,866,832

Bond premiums and deferred costs incurred in governmental activities are recognized as other financing sources in the year they occur.		(198,724)
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Accrued interest on debt in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds.		(31,650)
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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 yearend consist of:

Bonds payable	(11,654,000)	
Capital lease obligations	(850,512)	
Notes payable	(309,299)	
Compensated absences payable	(225,687)	(13,039,498)

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		(7,701,313)
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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	2,133,300	
Deferred inflows of resources related to pensions	(20,435)	2,112,865

Deferred revenue related to property tax is not a liability in governmental activities.		165,942

<b>Total Net Position - Governmental Activities</b>		<b>\$ 7,769,662</b>

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

CITY OF TEGA CAY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,522,476	\$ 271,346	\$ 5,793,822
Fines, fees, licenses and permits	4,203,157	-	4,203,157
Intergovernmental	187,055	-	187,055
Golf	-	1,570,080	1,570,080
Event fees	-	20,034	20,034
Grants	2,000	-	2,000
Sponsorships	21,315	-	21,315
Membership dues	-	149,035	149,035
Rentals	57,713	3,445	61,158
Interest	5,138	13,578	18,716
Drug seizures	-	4,849	4,849
Other	357,329	19,492	376,821
<b>Total Revenues</b>	<u>10,356,183</u>	<u>2,051,859</u>	<u>12,408,042</u>
<b>Expenditures</b>			
General government	1,034,561	-	1,034,561
Developmental services	543,072	-	543,072
Public works	756,058	-	756,058
Police	2,635,361	3,188	2,638,549
Fire services	1,573,452	-	1,573,452
Community events and services	-	276,611	276,611
Parks and recreation	665,511	-	665,511
Non-departmental	1,544,076	-	1,544,076
Beach and swim club	-	147,201	147,201
Golf club management	-	1,250,326	1,250,326
Capital outlay	4,102,229	187,998	4,290,227
Debt service			
Principal	668,964	199,741	868,705
Interest	327,369	16,748	344,117
<b>Total Expenditures</b>	<u>13,850,653</u>	<u>2,081,813</u>	<u>15,932,466</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,494,470)</u>	<u>(29,954)</u>	<u>(3,524,424)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issuance	411,068	50,825	461,893
Insurance recoveries	5,343	-	5,343
Sale of general capital assets	3,674	-	3,674
Transfers in/(out)			
Beach and Swim Club Fund	8,288	(8,288)	-
<b>Total Other Financing Sources (Uses)</b>	<u>428,373</u>	<u>42,537</u>	<u>470,910</u>
<b>Net Change in Fund Balances</b>	<u>(3,066,097)</u>	<u>12,583</u>	<u>(3,053,514)</u>
<b>Fund Balances, beginning</b>	<u>5,914,571</u>	<u>1,734,151</u>	<u>7,648,722</u>
<b>Fund Balances, ending</b>	<u>\$ 2,848,474</u>	<u>\$ 1,746,734</u>	<u>\$ 4,595,208</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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (3,053,514)

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	4,290,227	
Depreciation expense	<u>(893,403)</u>	3,396,824

The net effect of sales and other transactions involving capital assets. (5,052)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 868,705

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. (27,546)

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. (9,738)

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. 18,922

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. (752,516)

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. 2,280

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>(461,893)</u>	
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Change in Net Position of Governmental Activities \$ (23,528)

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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,610,425	\$ 5,610,425	\$ 5,522,476	\$ (87,949)
Fines, fees, licenses and permits	4,129,422	4,129,422	4,203,157	73,735
Intergovernmental	172,128	172,128	187,055	14,927
Other	80,357	80,357	443,495	363,138
<b>Total Revenues</b>	<b>9,992,332</b>	<b>9,992,332</b>	<b>10,356,183</b>	<b>363,851</b>
<b>Expenditures</b>				
General government	1,075,284	1,075,284	1,034,561	40,723
Development services	529,523	529,523	543,072	(13,549)
Public works	878,446	878,446	756,058	122,388
Police	2,600,143	2,600,143	2,635,361	(35,218)
Fire services	1,752,219	1,752,219	1,573,452	178,767
Parks and recreation	663,518	663,518	665,511	(1,993)
Non-departmental	1,290,961	1,290,961	1,544,076	(253,115)
Capital outlay	-	-	4,102,229	(4,102,229)
Debt service				
Principal	1,025,526	1,025,526	668,964	356,562
Interest	-	-	327,369	(327,369)
<b>Total Expenditures</b>	<b>9,815,620</b>	<b>9,815,620</b>	<b>13,850,653</b>	<b>(4,035,033)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>176,712</b>	<b>176,712</b>	<b>(3,494,470)</b>	<b>(3,671,182)</b>
<b>Other Financing Sources</b>				
Proceeds from capital leases	-	-	411,068	411,068
Insurance recoveries	-	-	5,343	5,343
Sale of general capital assets	5,000	5,000	3,674	(1,326)
Transfers in/(out)				
Capital fund	(190,000)	(190,000)		190,000
Beach and Swim Club fund	8,288	8,288	8,288	-
<b>Total Other Financing Sources</b>	<b>(176,712)</b>	<b>(176,712)</b>	<b>428,373</b>	<b>605,085</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(3,066,097)</b>	<b>(3,066,097)</b>
<b>Fund Balances, beginning</b>	<b>5,914,571</b>	<b>5,914,571</b>	<b>5,914,571</b>	<b>-</b>
<b>Fund Balances, ending</b>	<b>\$ 5,914,571</b>	<b>\$ 5,914,571</b>	<b>\$ 2,848,474</b>	<b>\$ (3,066,097)</b>

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

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019

Assets	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Current Assets</b>			
Cash and cash equivalents	\$ 167,352	\$ 212,608	\$ 379,960
Receivables (net of allowance for doubtful accounts)			
Water and sewer	598,718	-	598,718
Due from other funds	-	41,575	41,575
Prepaid expenses	25,059	-	25,059
<b>Total Current Assets</b>	<b>791,129</b>	<b>254,183</b>	<b>1,045,312</b>
<b>Noncurrent Assets</b>			
Restricted cash	1,586,354	-	1,586,354
Capital assets			
Non-depreciable	822,787	-	822,787
Depreciable, net	19,798,756	503,808	20,302,564
<b>Total Noncurrent Assets</b>	<b>22,207,897</b>	<b>503,808</b>	<b>22,711,705</b>
<b>Total Assets</b>	<b>22,999,026</b>	<b>757,991</b>	<b>23,757,017</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	306,738	73,844	380,582
<b>Total Deferred Outflows of Resources</b>	<b>306,738</b>	<b>73,844</b>	<b>380,582</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	215,034	21,116	236,150
Accrued interest payable	122,439	-	122,439
Compensated absences	25,655	-	25,655
Customer deposits	82,150	-	82,150
Due to other funds	107,079	-	107,079
Capital leases - current	212,635	98,043	310,678
Revenue bonds - current	581,680	-	581,680
<b>Total Current Liabilities</b>	<b>1,346,672</b>	<b>119,159</b>	<b>1,465,831</b>
<b>Noncurrent Liabilities</b>			
Capital leases - noncurrent	1,142,269	213,088	1,355,357
Revenue bonds - noncurrent	13,455,978	-	13,455,978
Net pension liability	1,409,910	339,423	1,749,333
<b>Total Noncurrent Liabilities</b>	<b>16,008,157</b>	<b>552,511</b>	<b>16,560,668</b>
<b>Total Liabilities</b>	<b>17,354,829</b>	<b>671,670</b>	<b>18,026,499</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	8,297	1,997	10,294
<b>Total Deferred Inflows of Resources</b>	<b>8,297</b>	<b>1,997</b>	<b>10,294</b>
<b>Net Position</b>			
Net investment in capital assets	5,228,981	192,677	5,421,658
Restricted	1,586,354	-	1,586,354
Unrestricted (deficit)	(872,697)	(34,509)	(907,206)
<b>Total Net Position</b>	<b>\$ 5,942,638</b>	<b>\$ 158,168</b>	<b>\$ 6,100,806</b>

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

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
 NET POSITION  
 YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Operating Revenues</b>			
Stormwater compliance fees	\$ -	\$ 530,193	\$ 530,193
Tap fees	94,600	-	94,600
Impact fees	145,039	-	145,039
Irrigation tap	19,600	-	19,600
Water fees	2,179,554	-	2,179,554
Sewer fees	2,265,415	-	2,265,415
Water activation fees	25,875	-	25,875
Reconnect fees	20,775	-	20,775
Penalties	8,738	-	8,738
Other	79,928	-	79,928
<b>Total Operating Revenues</b>	<b>4,839,524</b>	<b>530,193</b>	<b>5,369,717</b>
<b>Operating Expenses</b>			
Salaries	766,061	159,959	926,020
Employee benefits	469,229	124,206	593,435
Water purchased	807,362	-	807,362
Sewer treatment fees	626,148	-	626,148
Sewer clean-out	5,116	-	5,116
Water testing	5,596	-	5,596
Legal and professional services	202,169	22,526	224,695
Meters and supplies	152,694	-	152,694
Training and education	9,625	310	9,935
Auto expense	23,672	20,411	44,083
Cell phone	6,449	1,969	8,418
Billing	26,079	2,130	28,209
Chemicals	77,207	-	77,207
Sludge hauling	145,370	-	145,370
Treatment plant maintenance	83,207	-	83,207
Miscellaneous	10,476	2,000	12,476
Depreciation	911,119	67,166	978,285
Utilities	210,978	-	210,978
Office supplies	5,257	-	5,257
Lift station maintenance	80,701	-	80,701
Vehicle maintenance	9,004	23,310	32,314
Software maintenance	41,106	-	41,106
Dues and subscriptions	1,230	-	1,230
SDW act	16,875	-	16,875
Water tower maintenance	33,654	-	33,654
Drainage maintenance materials	-	57,518	57,518
Information technology	-	25,181	25,181
Insurance	23,798	7,360	31,158
<b>Total Operating Expenses</b>	<b>4,750,182</b>	<b>514,046</b>	<b>5,264,228</b>
<b>Operating Income</b>	<b>89,342</b>	<b>16,147</b>	<b>105,489</b>

(continued)

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
 NET POSITION (continued)  
 YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities		Total Enterprise Funds
	Utility Fund 1	Stormwater Fund	
<b>Nonoperating Revenues (Expenses)</b>			
Grant revenue	\$ 456,503	\$ -	\$ 456,503
Interest revenue	7,663	-	7,663
Interest expense and fiscal charges	(434,260)	(3,883)	(438,143)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>29,906</u>	<u>(3,883)</u>	<u>26,023</u>
<b>Change in Net Position</b>	119,248	12,264	131,512
<b>Net Position, beginning</b>	<u>5,823,390</u>	<u>145,904</u>	<u>5,969,294</u>
<b>Net Position, ending</b>	<u>\$ 5,942,638</u>	<u>\$ 158,168</u>	<u>\$ 6,100,806</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, 2019

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 4,724,102	\$ 530,193	\$ 5,254,295
Payments to suppliers	(2,434,888)	(98,830)	(2,533,718)
Payments to employees	(1,219,425)	(283,086)	(1,502,511)
<b>Net Cash Provided by Operating Activities</b>	<u>1,069,789</u>	<u>148,277</u>	<u>1,218,066</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers out	-	119,665	119,665
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>119,665</u>	<u>119,665</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(1,226,584)	(343,288)	(1,569,872)
Bond proceeds	1,255,000	-	1,255,000
Capital lease proceeds	202,069	343,287	545,356
Due to developers	(42,658)	-	(42,658)
Principal payments on bonds	(570,045)	-	(570,045)
Principal payments on leases	(186,007)	(52,634)	(238,641)
Grant fund received	456,503	-	456,503
Interest and fiscal charges paid	(434,260)	(3,883)	(438,143)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(545,982)</u>	<u>(56,518)</u>	<u>(602,500)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on cash and cash equivalents	7,663	-	7,663
<b>Net Cash Provided by Investing Activities</b>	<u>7,663</u>	<u>-</u>	<u>7,663</u>
<b>Net Increase in Cash</b>	531,470	211,424	742,894
<b>Cash and Cash Investments, Beginning</b>	<u>1,222,236</u>	<u>1,184</u>	<u>1,223,420</u>
<b>Cash and Cash Investments, Ending</b>	<u>\$ 1,753,706</u>	<u>\$ 212,608</u>	<u>\$ 1,966,314</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 89,342	\$ 16,147	\$ 105,489
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	911,119	67,166	978,285
Changes in assets and liabilities			
Receivables, net	(125,272)	-	(125,272)
Prepaid expenses	8,488	13,529	22,017
Accounts payable and accrued expenses	56,349	14,621	70,970
Deferred inflows/outflows related to pensions	126,149	30,369	156,518
Compensated absences	7,486	-	7,486
Customer deposits	9,850	-	9,850
Net pension liability	26,770	6,445	33,215
Due to/from other funds	(40,492)	-	(40,492)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,069,789</u>	<u>\$ 148,277</u>	<u>\$ 1,218,066</u>

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

**CITY OF TEGA CAY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, 2019, the City had deposits and investments as follows:

Deposits with financial institutions	\$ <u>6,886,797</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, 2019, 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 2018 tax year and the assessed valuation of real property was \$53,173,661. 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, 2019, consist of the following:

	<u>General Fund</u>
Property Tax Receivables:	
Real property	\$ 173,750
Vehicle	60,914
Less: allowance for uncollectibles	(7,000)
Total Property Tax Receivables	<u>\$ 227,664</u>
Other Receivables:	
Franchise fees	\$ 113,505
Total Other Receivables	<u>\$ 113,505</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, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 5,972,563	\$ -	\$ -	\$ 5,972,563
Construction in progress	254,318	3,622,448	-	3,876,766
<b>Total Capital Assets, Not Being Depreciated</b>	<b>6,226,881</b>	<b>3,622,448</b>	<b>-</b>	<b>9,849,329</b>
Capital assets, being depreciated				
Buildings, improvements and fixed structures	13,068,472	154,125	-	13,222,597
Infrastructure	3,738,361	-	-	3,738,361
Furniture and equipment	2,593,264	134,830	-	2,728,094
Vehicles	2,615,709	378,824	(40,007)	2,954,526
<b>Total Capital Assets, Being Depreciated</b>	<b>22,015,806</b>	<b>667,779</b>	<b>(40,007)</b>	<b>22,643,578</b>
Less: accumulated depreciation				
Buildings, improvements and fixed structures	(4,750,829)	(355,672)	-	(5,106,501)
Infrastructure	(993,890)	(120,623)	-	(1,114,513)
Furniture and equipment	(1,949,304)	(209,424)	-	(2,158,728)
Vehicles	(2,073,604)	(207,684)	34,955	(2,246,333)
<b>Total Accumulated Depreciation</b>	<b>(9,767,627)</b>	<b>(893,403)</b>	<b>34,955</b>	<b>(10,626,075)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>12,248,179</b>	<b>(225,624)</b>	<b>(5,052)</b>	<b>12,017,503</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 18,475,060</b>	<b>\$ 3,396,824</b>	<b>\$ (5,052)</b>	<b>\$ 21,866,832</b>

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

General government	\$	110,703
Public works		123,327
Fire services		74,473
Police		201,450
Parks and recreation		27,177
Beach and swim		34,252
Golf course		322,021
Total depreciation	\$	<u>893,403</u>

Capital asset activity for the City's business-type activities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Water system	\$ -	\$ 822,787	\$ -	\$ 822,787
Total Capital Assets, Not Being Depreciated	-	822,787	-	822,787
Capital assets, being depreciated				
Water system	25,404,381	15,481	-	25,419,862
Legal and engineering fees	150,289	-	-	150,289
Vehicles and equipment	1,068,679	731,604	-	1,800,283
Software	35,699	-	-	35,699
Total Capital Assets, Being Depreciated	26,659,048	747,085	-	27,406,133
Less: accumulated depreciation				
Water system	(5,272,277)	(837,440)	-	(6,109,717)
Legal and engineering fees	(90,173)	(5,010)	-	(95,183)
Vehicles and equipment	(727,135)	(135,835)	-	(862,970)
Software	(35,699)	-	-	(35,699)
Total Accumulated Depreciation	(6,125,284)	(978,285)	-	(7,103,569)
Total Capital Assets, Being Depreciated, Net	20,533,764	(231,200)	-	20,302,564
Business-Type Activities Capital Assets, Net	\$ 20,533,764	\$ 591,587	\$ -	\$ 21,125,351

#### 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 Yearend
<p><b>General Obligation Bonds</b></p> <p>\$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.</p>	\$ 505,000
<p>\$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.</p>	4,965,000
<p>\$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.</p>	2,184,000
<p>\$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.</p>	4,000,000
<p><b>Revenue Bonds</b></p> <p>\$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</p>	6,558,000
<p>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.</p>	6,224,658

On November 29, 2018, the City closed on the Waterworks and Sewer System Revenue Parity Bond, Series 2018, in the amount of \$1,255,000. The purpose of the loan is construction of a 500,000 gallon, elevated water storage tank. Repayment of the principal and interest is due in 29 semi-annual installments, with the first payment made June 1, 2019. The loan carries interest at 3.63% per annum.

	\$ 1,255,000
Total	<u>\$ 25,691,658</u>

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
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	778,000	258,953	1,036,953
2025-2029	4,182,000	994,311	5,176,311
2030-2032	3,811,000	336,193	4,147,193
	<u>\$ 11,654,000</u>	<u>\$ 2,833,712</u>	<u>\$ 14,487,712</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
2020	\$ 581,680	\$ 375,530	\$ 957,210
2021	672,409	359,836	1,032,245
2022	699,234	340,967	1,040,201
2023	716,155	321,291	1,037,446
2024	733,176	301,123	1,034,299
2025-2029	4,000,800	1,182,577	5,183,377
2030-2034	4,472,388	582,875	5,055,263
2035-2039	1,118,013	151,088	1,269,101
2040-2044	678,378	72,720	751,098
2045-2047	365,425	10,124	375,549
	<u>\$ 14,037,658</u>	<u>\$ 3,698,131</u>	<u>\$ 17,735,789</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, 2019 was \$135,928 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Vehicles and equipment	\$ 1,482,532
Less: accumulated amortization	<u>(513,466)</u>
	<u>\$ 969,066</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2019, were as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2020	\$ 374,014
2021	311,223
2022	126,480
2023	<u>71,235</u>
Total lease payments	882,952
Less: amount representing interest	<u>(32,440)</u>
Present value of minimum lease payments	<u>\$ 850,512</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, 2019 was \$153,796 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Utility vehicles and equipment	\$ 2,166,005
Less accumulated amortization	<u>(388,945)</u>
	<u>\$ 1,777,060</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2019, are as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2020	\$ 346,324
2021	327,690
2022	305,754
2023	223,688
2024	160,778
Thereafter	457,507
Total lease payments	1,821,741
Less: amount representing interest	(155,706)
Present value of minimum lease payments	<u>\$ 1,666,035</u>

*Note Payable*

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

Annual debt requirements for the notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
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	56,103	1,925	58,028
2025	24,313	578	24,891
	<u>\$ 309,299</u>	<u>\$ 23,560</u>	<u>\$ 332,859</u>

**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, 2019:

Long-term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
Series 2012	\$ 560,000	\$ -	\$ 55,000	\$ 505,000	\$ 55,000
Series 2013	5,420,000	-	455,000	4,965,000	475,000
Series 2016	2,184,000	-	-	2,184,000	154,000
Series 2018	4,000,000	-	-	4,000,000	-
Bond Premium	260,589	-	22,826	237,763	22,825
Total Bonds Payable	<u>12,424,589</u>	<u>-</u>	<u>532,826</u>	<u>11,891,763</u>	<u>706,825</u>
Other Liabilities:					
Capital Leases	689,032	461,893	300,413	850,512	359,723
Notes Payable	367,591	-	58,292	309,299	59,665
Compensated Absences	198,141	225,687	198,141	225,687	225,687
Total Other Liabilities	<u>1,254,764</u>	<u>687,580</u>	<u>556,846</u>	<u>1,385,498</u>	<u>645,075</u>
	<u>\$ 13,679,353</u>	<u>\$ 687,580</u>	<u>\$ 1,089,672</u>	<u>\$ 13,277,261</u>	<u>\$ 1,351,900</u>
<b>Business-type Activities:</b>					
Revenue Bonds:					
Series 2014	\$ 6,898,000	\$ -	\$ 340,000	\$ 6,558,000	\$ 347,000
Series 2016	6,454,703	-	230,045	6,224,658	234,680
Series 2018	-	1,255,000	-	1,255,000	-
Total Bonds Payable	<u>13,352,703</u>	<u>1,255,000</u>	<u>570,045</u>	<u>14,037,658</u>	<u>581,680</u>
Other Liabilities:					
Due to Developers	42,658	-	42,658	-	-
Capital Leases	1,359,320	545,356	238,641	1,666,035	310,678
Compenstated Absences	18,169	25,655	18,169	25,655	25,655
Total Other Liabilities	<u>1,420,147</u>	<u>571,011</u>	<u>299,468</u>	<u>1,691,690</u>	<u>336,333</u>
	<u>\$ 14,772,850</u>	<u>\$ 1,826,011</u>	<u>\$ 869,513</u>	<u>\$ 15,729,348</u>	<u>\$ 918,013</u>

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

Interfund balances at September 30, 2019, 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	<u>21,311</u>	<u>22,410</u>
<b>Total</b>	<u><u>\$ 50,766</u></u>	<u><u>\$ 50,766</u></u>

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

Interfund transfers for the year ended September 30, 2019 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 8,288	\$ -
Beach and Swim Club	-	8,288
Hospitality Tax	-	97,468
Events and Tourism	<u>97,468</u>	<u>-</u>
	<u><u>\$ 105,756</u></u>	<u><u>\$ 105,756</u></u>

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

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

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

### **Plan Descriptions**

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivision of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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 Plan (SCNG).

### **Membership**

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals

newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. 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 employer to the member’s account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining 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, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective membership prior to July 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

## Benefits

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

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member’s age and the member’s creditable service equals at least 90 years. Both Class Two and Class three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirements, 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 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 Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

## **Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 eighty-five 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 eighty-five percent. 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 eighty-five 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 eighty-five percent.

The Retirement System Funding and Administration Act 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 rates 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 period.

Required employee contribution rates (1) are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	14.41%	13.41%
Employee Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	16.84%	15.84%
Employee Class Three	16.84%	15.84%
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 of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitive 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, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, 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 table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018:

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality 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 projected from the year 2016.

Assumptions used in the determination of the June 30, 2018, 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, 2018, 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	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

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 2018 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 on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return and 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>
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Commodities (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/ Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

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

At September 30, 2019, the City reported a liability of \$9,450,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 portion 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, 2019, the City recognized pension expense of \$1,712,977. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS		PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,426	\$ 30,729	\$ 130,295	\$ -
Changes of assumptions	207,175	-	278,823	-
Net difference between projected and actual earnings on pension plan investments	82,950	-	84,565	-
Changes in proportionate share and differences between City contributions and proportionate share of total employer plan contributions	455,482	-	494,491	-
City contributions subsequent to the measurement date	381,034	-	389,694	-
Total	<u>\$ 1,136,067</u>	<u>\$ 30,729</u>	<u>\$ 1,377,868</u>	<u>\$ -</u>

\$770,728 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, 2020.

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 4.080 years for SCRS.

Measurement Period	SCRS	PORS	Total
Ending June 30,			
2018	\$ 177,525	\$ 242,200	\$ 419,725
2019	177,525	242,200	419,725
2020	177,525	242,200	419,725
2021	177,525	242,200	419,725
Thereafter	14,204	19,374	33,578
Net Balance of Deferred Outflow/(Inflow) of Resources	<u>\$ 724,304</u>	<u>\$ 988,174</u>	<u>\$ 1,712,478</u>

## Discount Rate

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,672,606	\$ 5,221,890	\$ 4,184,768
PORS	\$ 5,562,824	\$ 4,228,756	\$ 3,022,955

## *Pension Plan Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORs. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

## **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, 2019.

**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	\$ 83,082	\$ -	\$ -	\$ -	\$ -	\$ 8,529	\$ -	\$ 91,611
Inventory	-	-	-	-	-	61,613	-	61,613
Restricted								
In accordance with								
donor stipulations	-	1,616	-	-	-	-	-	1,616
Victims' rights	81,756	-	-	-	-	-	-	81,756
Hospitality	-	-	-	-	160,697	-	1,118,148	1,278,845
Committed								
Police	-	-	14,144	-	-	-	-	14,144
Beach and Swim	-	-	-	39,402	-	-	-	39,402
Unassigned	2,683,636	-	-	-	-	342,585	-	3,026,221
<b>Total</b>	<b>\$ 2,848,474</b>	<b>\$ 1,616</b>	<b>\$ 14,144</b>	<b>\$ 39,402</b>	<b>\$ 160,697</b>	<b>\$ 412,727</b>	<b>\$ 1,118,148</b>	<b>\$ 4,595,208</b>

**NOTE 14 – COMMITMENTS**

The City has entered into various construction contracts for construction of a police station. As of September 30, 2019, approximately \$120,000 remains on the commitments. The commitments are funded by bond issues obtained by the City.

The City has entered into various construction contracts for construction of an elevated water tank. As of September 30, 2019, approximately \$900,000 remains on the commitments. The commitments are funded by bond issues and grants obtained by the City.

**NOTE 15 – TAX ABATEMENTS**

*Other Tax Abatements*

The City's property tax revenues were reduced by approximately \$418,733 under agreements entered into by York County.

**NOTE 16 – 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 5 FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SCRS</u>					
Contractually required Contribution	\$ 381,034	\$ 337,284	\$ 284,612	\$ 234,049	\$ 199,908
Contributions in relation to the contractually required contribution	<u>(381,034)</u>	<u>(337,284)</u>	<u>(284,612)</u>	<u>(234,049)</u>	<u>(199,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 2,594,356	\$ 2,464,905	\$ 2,380,264	\$ 2,118,082	\$ 1,852,173
Contributions as a percentage of covered-employee payroll	14.69%	13.70%	11.96%	11.05%	10.79%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PORS</u>					
Contractually required Contribution	\$ 389,694	\$ 349,421	\$ 279,516	\$ 221,755	\$ 206,535
Contributions in relation to the contractually required contribution	<u>(389,694)</u>	<u>(349,421)</u>	<u>(279,516)</u>	<u>(221,755)</u>	<u>(206,535)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 2,247,744	\$ 2,168,612	\$ 1,941,511	\$ 1,645,502	\$ 1,577,034
Contributions as a percentage of covered-employee payroll	17.34%	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.

See accompanying notes.

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 5 FISCAL YEARS

	2019	2018	2017	2016	2015
<u>SCRS</u>					
City's proportion of the net pension liability	0.023%	0.023%	0.021%	0.018%	0.014%
City's proportionate share of the net pension liability	\$ 5,221,890	\$ 5,122,742	\$ 4,405,470	\$ 3,417,390	\$ 2,379,518
City's covered-employee payroll	\$ 2,464,905	\$ 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	211.9%	215.2%	207.9%	184.51%	173.9%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%	59.9%
	2019	2018	2017	2016	2015
<u>PORS</u>					
City's proportion of the net pension liability	0.149%	0.134%	0.123%	0.116%	0.109%
City's proportionate share of the net pension liability	\$ 4,228,756	\$ 3,657,834	\$ 3,108,906	\$ 2,531,529	\$ 2,083,223
City's covered-employee payroll	\$ 2,168,612	\$ 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	195.0%	188.4%	188.9%	160.5%	150.4%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	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.

See accompanying notes.

CITY OF TEGA CAY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2019

**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, 2018, 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, 2019 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 (continued)  
YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Real property	\$ 5,000,425	\$ 5,000,425	\$ 4,883,913	\$ (116,512)
Vehicle	600,000	600,000	628,987	28,987
Tax penalties	10,000	10,000	9,576	(424)
<b>Totals</b>	<u>5,610,425</u>	<u>5,610,425</u>	<u>5,522,476</u>	<u>(87,949)</u>
<b>Fines, fees, licenses and permits</b>				
Court fines and forfeitures	168,000	168,000	180,408	12,408
Parking tickets	3,000	3,000	4,732	1,732
Franchise fees	520,000	520,000	551,336	31,336
Inspection and permit fees	1,035,000	1,035,000	1,058,633	23,633
Business licenses	1,220,000	1,220,000	1,217,853	(2,147)
Recreation fees	420,500	420,500	440,865	20,365
Trash fees	722,122	722,122	716,246	(5,876)
Waste management fees	800	800	1,025	225
Security fees	40,000	40,000	32,059	(7,941)
<b>Totals</b>	<u>4,129,422</u>	<u>4,129,422</u>	<u>4,203,157</u>	<u>73,735</u>
<b>Intergovernmental</b>				
State shared	172,128	172,128	187,055	14,927
<b>Totals</b>	<u>172,128</u>	<u>172,128</u>	<u>187,055</u>	<u>14,927</u>
<b>Other</b>				
Interest	1,000	1,000	5,138	4,138
Sponsorships	21,000	21,000	21,315	315
Grants	-	-	2,000	2,000
Rentals	55,857	55,857	57,713	1,856
Other	2,500	2,500	357,329	354,829
<b>Totals</b>	<u>80,357</u>	<u>80,357</u>	<u>443,495</u>	<u>363,138</u>
<b>Total Revenues</b>	<u>\$ 9,992,332</u>	<u>\$ 9,992,332</u>	<u>\$ 10,356,183</u>	<u>\$ 363,851</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>General Government</b>				
<b>Municipal Council</b>				
Salaries	\$ 20,400	\$ 20,400	\$ 20,400	\$ -
Employee benefits	2,412	2,412	3,203	(791)
Travel and training	6,000	6,000	6,290	(290)
Meeting expense	2,000	2,000	1,073	927
Flowers	750	750	707	43
Dues and subscriptions	150	150	100	50
<b>Total Municipal Council</b>	<b>31,712</b>	<b>31,712</b>	<b>31,773</b>	<b>(61)</b>
<b>Municipal Court</b>				
Salaries	123,399	123,399	121,169	2,230
Employee benefits	37,984	37,984	35,691	2,293
Video conferencing	-	-	667	(667)
Jurors	300	300	160	140
Supplies	2,500	2,500	1,903	597
Travel and training	5,000	5,000	2,156	2,844
Postage	50	50	13	37
Reimbursement to other governments	100,800	100,800	91,071	9,729
<b>Total Municipal Court</b>	<b>270,033</b>	<b>270,033</b>	<b>252,830</b>	<b>17,203</b>
<b>Administration</b>				
Salaries	477,310	477,310	454,630	22,680
Employee benefits	175,608	175,608	148,930	26,678
Professional services	30,500	30,500	37,195	(6,695)
Data processing services	16,500	16,500	21,542	(5,042)
Codify ordinances	2,550	2,550	2,197	353
Contract services	6,000	6,000	6,696	(696)
Auto operation	1,200	1,200	1,263	(63)
Copier	6,771	6,771	8,867	(2,096)
IT expenses	5,000	5,000	6,814	(1,814)
Office supplies	14,000	14,000	15,845	(1,845)
Other	7,500	7,500	5,418	2,082
Travel and training	10,000	10,000	15,090	(5,090)
Cell phone	3,000	3,000	3,280	(280)
Postage	3,600	3,600	3,984	(384)
Repairs and maintenance	1,000	1,000	1,425	(425)
Software maintenance	4,000	4,000	4,450	(450)
Legal advertising	1,000	1,000	3,401	(2,401)
Dues and subscriptions	8,000	8,000	8,931	(931)
<b>Total Administration</b>	<b>773,539</b>	<b>773,539</b>	<b>749,958</b>	<b>23,581</b>
<b>Total General Government</b>	<b>1,075,284</b>	<b>1,075,284</b>	<b>1,034,561</b>	<b>40,723</b>

(continued)

**CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Developmental Services</b>				
Salaries	\$ 347,932	\$ 347,932	\$ 321,542	\$ 26,390
Employee benefits	122,015	122,015	124,449	(2,434)
Medical	-	-	528	(528)
Professional services	12,000	12,000	31,616	(19,616)
Copier	4,091	4,091	5,508	(1,417)
IT expenses	1,000	1,000	377	623
Software maintenance	8,500	8,500	10,047	(1,547)
Uniforms	500	500	744	(244)
Supplies	5,000	5,000	3,995	1,005
Travel and training	8,935	8,935	8,451	484
Cell phone	3,500	3,500	2,068	1,432
Auto operation	2,000	2,000	1,624	376
Vehicle maintenance	750	750	624	126
Comprehensive	12,000	12,000	30,000	(18,000)
Dues and subscriptions	1,300	1,300	1,499	(199)
<b>Total Developmental Services</b>	<b>529,523</b>	<b>529,523</b>	<b>543,072</b>	<b>(13,549)</b>
<b>Public Works</b>				
Salaries	411,053	411,053	385,963	25,090
Employee benefits	183,083	183,083	180,472	2,611
Medical	500	500	1,569	(1,069)
Professional services	5,000	5,000	936	4,064
Uniforms	6,000	6,000	3,742	2,258
IT expenses	1,500	1,500	-	1,500
Auto operation	16,000	16,000	15,278	722
BCAC	9,000	9,000	-	9,000
Other	-	-	6,727	(6,727)
Tree care	9,000	9,000	3,590	5,410
Landfill charges	1,000	1,000	55	945
Small tools	1,500	1,500	2,233	(733)
Supplies	20,000	20,000	18,932	1,068
Travel and training	2,500	2,500	1,876	624
Cell phone	7,000	7,000	5,893	1,107
Repairs - equipment	4,000	4,000	1,493	2,507
Building grounds/maintenance	4,000	4,000	5,749	(1,749)
Vehicle maintenance	12,000	12,000	9,167	2,833
Street maintenance	100,000	100,000	43,522	56,478
Tree work	10,000	10,000	8,460	1,540
Monument costs	-	-	15,725	(15,725)
Contract lawn care	50,000	50,000	44,541	5,459
Dues and subscriptions	310	310	135	175
Landscape Maintenance	25,000	25,000	-	25,000
Capital outlay	-	-	98,775	(98,775)
<b>Total Public Works</b>	<b>878,446</b>	<b>878,446</b>	<b>854,833</b>	<b>23,613</b>

(continued)

**CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Police Department</b>				
Salaries	\$ 1,453,024	\$ 1,453,024	\$ 1,486,787	\$ (33,763)
Employee benefits	669,590	669,590	709,941	(40,351)
Medical	2,000	2,000	2,004	(4)
Uniforms	25,000	25,000	16,798	8,202
Auto operation	50,000	50,000	50,552	(552)
Boat operations	3,000	3,000	684	2,316
Postage	400	400	190	210
Software maintenance	25,595	25,595	41,002	(15,407)
Supplies	30,000	30,000	26,741	3,259
Office supplies	9,000	9,000	8,117	883
Other	-	-	172	(172)
Travel and training	30,000	30,000	20,822	9,178
Cell phones	26,670	26,670	20,623	6,047
Board and lodge prisoners	30,000	30,000	20,746	9,254
Repairs - equipment	6,000	6,000	4,525	1,475
Building/grounds maintenance	8,000	8,000	13,738	(5,738)
Repairs - vehicle	17,000	17,000	23,255	(6,255)
Dues and subscription	2,500	2,500	2,823	(323)
Copier	16,714	16,714	18,856	(2,142)
IT expenses	22,250	22,250	22,379	(129)
Dispatch services	146,400	146,400	137,269	9,131
Community relations	7,000	7,000	7,337	(337)
Capital Outlay	20,000	20,000	3,942,354	(3,922,354)
<b>Total Police Department</b>	<b>2,600,143</b>	<b>2,600,143</b>	<b>6,577,715</b>	<b>(3,977,572)</b>
<b>Fire Services</b>				
Salaries	1,018,496	1,018,496	948,433	70,063
Employee benefits	412,023	412,023	393,046	18,977
Medical	2,000	2,000	3,154	(1,154)
Uniforms	51,000	51,000	35,754	15,246
Fuel	15,000	15,000	13,777	1,223
Supplies	10,000	10,000	9,899	101
Travel and training	25,000	25,000	9,646	15,354
Cell phones	1,000	1,000	1,253	(253)
Utilities	14,000	14,000	14,203	(203)
Repairs - vehicle	18,000	18,000	26,540	(8,540)
Repairs - equipment	8,000	8,000	3,320	4,680
Contribution	21,700	21,700	21,710	(10)
Building and grounds maintenance	20,000	20,000	34,543	(14,543)
Apparatus and equipment	50,000	50,000	44,819	5,181
Volunteer response	6,000	6,000	-	6,000
EMS	20,000	20,000	5,596	14,404
IT expenses	15,000	15,000	7,759	7,241
Fire Supressin for Station #2	45,000	45,000	-	45,000
Capital outlay	-	-	61,100	(61,100)
<b>Total Fire Services</b>	<b>1,752,219</b>	<b>1,752,219</b>	<b>1,634,552</b>	<b>117,667</b>

(continued)

**CITY OF TEGA CAY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (continued)**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Parks and Recreation</b>				
Salaries	\$ 235,773	\$ 235,773	\$ 251,382	\$ (15,609)
Employee benefits	104,285	104,285	105,669	(1,384)
Medical	250	250	592	(342)
Sports uniforms	80,000	80,000	81,299	(1,299)
Uniforms	650	650	375	275
Referees/extra help	41,000	41,000	45,508	(4,508)
Supplies	8,000	8,000	10,953	(2,953)
IT expenses	1,000	1,000	130	870
Travel and training	2,500	2,500	3,878	(1,378)
Auto operations	4,500	4,500	3,847	653
Vehicle maintenance	1,500	1,500	1,481	19
Cell phones	2,000	2,000	2,948	(948)
Equipment repairs and maintenance	2,500	2,500	2,067	433
Contract grounds maintenance	65,000	65,000	57,047	7,953
Athletic field supplies	3,500	3,500	4,274	(774)
Recreation equipment	9,000	9,000	10,637	(1,637)
Professional insurance	6,560	6,560	7,620	(1,060)
Dues and subscriprion	700	700	760	(60)
Entry fees	4,300	4,300	3,429	871
Park maintenance	55,000	55,000	55,528	(528)
Trail maintenance	2,500	2,500	2,568	(68)
Doggie stations	5,000	5,000	4,643	357
PARD	8,000	8,000	-	8,000
Field usage	20,000	20,000	8,876	11,124
<b>Total Parks and Recreation</b>	<b>663,518</b>	<b>663,518</b>	<b>665,511</b>	<b>(1,993)</b>
<b>Non-departmental</b>				
Safety program	25,000	25,000	22,227	2,773
Flags	2,000	2,000	1,137	863
Employees program	2,500	2,500	2,045	455
Street lights	29,000	29,000	29,574	(574)
Computer repair	60,000	60,000	63,492	(3,492)
Operational contingency	76,133	76,133	-	76,133
C-Fund road work	-	-	105,185	(105,185)
Legal fees	75,000	75,000	101,672	(26,672)
Property insurance	115,000	115,000	172,249	(57,249)
Waste management services	755,290	755,290	749,452	5,838
Utilities	120,000	120,000	157,638	(37,638)
Stormwater fees	15,660	15,660	15,660	-
City Hall building expenses	10,000	10,000	10,623	(623)
RFATS	500	500	101,084	(100,584)

(continued)

**CITY OF TEGA CAY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (continued)**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Non-departmental (continued)</b>				
Other	\$ -	\$ -	\$ 7,493	\$ (7,493)
Stonecrest HOA dues	4,878	4,878	4,545	333
<b>Total Non-departmental</b>	<u>1,290,961</u>	<u>1,290,961</u>	<u>1,544,076</u>	<u>(253,115)</u>
<b>Debt Service</b>				
Principal	1,025,526	1,025,526	668,964	356,562
Interest and fiscal charges	-	-	327,369	(327,369)
<b>Total Debt Service</b>	<u>1,025,526</u>	<u>1,025,526</u>	<u>996,333</u>	<u>29,193</u>
<b>Total Expenditures</b>	<u>9,815,620</u>	<u>9,815,620</u>	<u>13,850,653</u>	<u>(4,035,033)</u>
<b>Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	<u>176,712</u>	<u>176,712</u>	<u>(3,494,470)</u>	<u>(3,671,182)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuance	-	-	411,068	411,068
Sale of general capital assets	5,000	5,000	3,674	(1,326)
Insurance recoveries	-	-	5,343	5,343
Transfers in/(out)				
Capital Fund	(190,000)	(190,000)	-	190,000
Beach and Swim Club Fund	8,288	8,288	8,288	-
<b>Total Other Financing Sources (Uses)</b>	<u>(176,712)</u>	<u>(176,712)</u>	<u>428,373</u>	<u>605,085</u>
<b>Net Change in Fund Balance</b>	-	-	(3,066,097)	(3,066,097)
<b>Fund Balance, beginning</b>	<u>5,914,571</u>	<u>5,914,571</u>	<u>5,914,571</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 5,914,571</u>	<u>\$ 5,914,571</u>	<u>\$ 2,848,474</u>	<u>\$ (3,066,097)</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, 2019

	<u>Memorial</u>	<u>Police</u>	<u>Beach and Swim Club</u>	<u>Golf Club</u>	<u>Hospitality Tax</u>	<u>Events and Tourism</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash investments	\$ 1,616	\$ 14,144	\$ 49,394	\$ 450,659	\$ 148,084	\$ 1,176,920	\$ 1,840,817
Accounts receivable	-	-	-	88,474	27,224	-	115,698
Inventory	-	-	-	61,613	-	-	61,613
Prepaid expenses	-	-	-	8,529	-	-	8,529
<b>Total Assets</b>	<u>\$ 1,616</u>	<u>\$ 14,144</u>	<u>\$ 49,394</u>	<u>\$ 609,275</u>	<u>\$ 175,308</u>	<u>\$ 1,176,920</u>	<u>\$ 2,026,657</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 89,963	\$ 6,592	\$ -	\$ 96,555
Accrued expenses	-	-	-	48,691	-	-	48,691
Unearned revenue	-	-	-	57,894	-	-	57,894
Due to other funds	-	-	9,992	-	8,019	58,772	76,783
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>9,992</u>	<u>196,548</u>	<u>14,611</u>	<u>58,772</u>	<u>279,923</u>
<b>Fund Balances</b>							
Nonspendable	-	-	-	70,142	-	-	70,142
Restricted	1,616	-	-	-	160,697	1,118,148	1,280,461
Committed	-	14,144	39,402	-	-	-	53,546
Unassigned	-	-	-	342,585	-	-	342,585
<b>Total Fund Balances</b>	<u>1,616</u>	<u>14,144</u>	<u>39,402</u>	<u>412,727</u>	<u>160,697</u>	<u>1,118,148</u>	<u>1,746,734</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,616</u>	<u>\$ 14,144</u>	<u>\$ 49,394</u>	<u>\$ 609,275</u>	<u>\$ 175,308</u>	<u>\$ 1,176,920</u>	<u>\$ 2,026,657</u>

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2019

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
<b>Revenues</b>							
Hospitality tax	\$ -	\$ -	\$ -	\$ -	\$ 271,346	\$ -	\$ 271,346
Event fees	-	-	-	-	-	20,034	20,034
Memberships	-	-	149,035	-	-	-	149,035
Golf	-	-	-	1,553,830	-	16,250	1,570,080
Pool and tennis	-	-	-	6,347	-	-	6,347
Club rentals	-	-	3,445	-	-	-	3,445
Swim team	-	-	8,752	-	-	-	8,752
Drug seizures	-	4,849	-	-	-	-	4,849
Interest	-	-	24	15	-	13,539	13,578
Other	-	-	2,618	-	-	1,775	4,393
<b>Total Revenues</b>	<b>-</b>	<b>4,849</b>	<b>163,874</b>	<b>1,560,192</b>	<b>271,346</b>	<b>51,598</b>	<b>2,051,859</b>
<b>Expenditures</b>							
Salaries	-	-	23,634	-	-	-	23,634
Employee benefits	-	-	9,043	-	-	-	9,043
Pool management	-	-	41,002	-	-	-	41,002
Sanitation	-	-	1,833	-	-	-	1,833
Supplies	-	-	4,360	-	-	-	4,360
Advertising	-	-	187	-	7,309	-	7,496
Other	4,500	3,188	5,208	-	63,784	-	76,680
Cell phone	-	-	328	-	-	-	328
Utilities	-	-	22,971	-	-	-	22,971
Equipment repairs and maintenance	-	-	24,840	-	-	-	24,840
Building and grounds maintenance	-	-	3,888	-	57,840	-	61,728
Swim team	-	-	5,000	-	-	-	5,000
Professional insurance	-	-	4,907	-	-	-	4,907
Golf club management	-	-	-	1,250,326	-	-	1,250,326
Community Events	-	-	-	-	-	143,178	143,178
Capital outlay	-	-	-	85,748	102,250	-	187,998
Debt service							
Principal	-	-	8,466	170,294	20,981	-	199,741
Interest	-	-	518	12,594	3,636	-	16,748
<b>Total Expenditures</b>	<b>4,500</b>	<b>3,188</b>	<b>156,185</b>	<b>1,518,962</b>	<b>255,800</b>	<b>143,178</b>	<b>2,081,813</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,500)</b>	<b>1,661</b>	<b>7,689</b>	<b>41,230</b>	<b>15,546</b>	<b>(91,580)</b>	<b>(29,954)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in/(out)							
Debt proceeds	-	-	-	50,825	-	-	50,825
Special revenue fund	-	-	-	-	(97,468)	97,468	-
General fund	-	-	(8,288)	-	-	-	(8,288)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(8,288)</b>	<b>50,825</b>	<b>(97,468)</b>	<b>97,468</b>	<b>42,537</b>
<b>Net Change in Fund Balances</b>	<b>(4,500)</b>	<b>1,661</b>	<b>(599)</b>	<b>92,055</b>	<b>(81,922)</b>	<b>5,888</b>	<b>12,583</b>
<b>Fund Balances, beginning</b>	<b>6,116</b>	<b>12,483</b>	<b>40,001</b>	<b>320,672</b>	<b>242,619</b>	<b>1,112,260</b>	<b>1,734,151</b>
<b>Fund Balances, ending</b>	<b>\$ 1,616</b>	<b>\$ 14,144</b>	<b>\$ 39,402</b>	<b>\$ 412,727</b>	<b>\$ 160,697</b>	<b>\$ 1,118,148</b>	<b>\$ 1,746,734</b>

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS - GOLF CLUB  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2019

	Final Budgeted	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Golf	\$ 1,327,796	\$ 1,553,830	\$ 226,034
Pool and tennis	8,568	6,347	(2,221)
Interest	-	15	15
<b>Total Revenues</b>	<u>1,336,364</u>	<u>1,560,192</u>	<u>223,828</u>
<b>Expenditures</b>			
Golf	676,333	482,629	193,704
Pool and tennis	10,265	12,478	(2,213)
Golf course maintenance	199,360	542,232	(342,872)
Property operations	59,180	73,285	(14,105)
Sales and marketing	14,740	12,273	2,467
General and administrative	123,994	127,429	(3,435)
Capital outlay	-	85,748	(85,748)
Debt service			
Principal	-	170,294	(170,294)
Interest	-	12,594	(12,594)
<b>Total Expenditures</b>	<u>1,083,872</u>	<u>1,518,962</u>	<u>(435,090)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>252,492</u>	<u>41,230</u>	<u>(211,262)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issuance	-	50,825	50,825
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>50,825</u>	<u>50,825</u>
<b>Net Change in Fund Balances</b>	252,492	92,055	(160,437)
<b>Fund Balances, beginning</b>	<u>320,672</u>	<u>320,672</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 573,164</u>	<u>\$ 412,727</u>	<u>\$ (160,437)</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, 2019

	Budget	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Tap fees	\$ 362,530	\$ 94,600	\$ (267,930)
Impact fees	-	145,039	145,039
Irrigation taps	20,000	19,600	(400)
Water fees	2,218,124	2,179,554	(38,570)
Sewer fees	2,182,530	2,265,415	82,885
Water activation fees	20,000	25,875	5,875
Reconnect fees	15,000	20,775	5,775
Penalties	6,000	8,738	2,738
Miscellaneous	12,000	79,928	67,928
<b>Total Operating Revenues</b>	<b>4,836,184</b>	<b>4,839,524</b>	<b>3,340</b>
<b>Operating Expenses</b>			
Salaries	878,591	766,061	112,530
Employee benefits	335,962	469,229	(133,267)
Legal and professional services	147,000	202,169	(55,169)
Water purchased	718,263	807,362	(89,099)
Sewer treatment fees	520,639	626,148	(105,509)
Sewer clean-out	35,000	5,116	29,884
Water testing	5,000	5,596	(596)
Meters and supplies	180,000	152,694	27,306
Training and education	10,000	9,625	375
Auto expense	21,600	23,672	(2,072)
Cell phone	7,500	6,449	1,051
Miscellaneous	29,612	10,476	19,136
Chemicals	75,000	77,207	(2,207)
Depreciation	-	911,119	(911,119)
Utilities	150,000	210,978	(60,978)
Sludge hauling	120,000	145,370	(25,370)
Treatment plant maintenance	145,000	83,207	61,793
Office supplies	1,000	5,257	(4,257)
Lift station maintenance	75,000	80,701	(5,701)
Billing	36,000	26,079	9,921
Vehicle maintenance	12,500	9,004	3,496
Software maintenance	25,000	41,106	(16,106)
Insurance	17,000	23,798	(6,798)
Water tower maintenance	45,000	33,654	11,346
Dues and subscriptions	1,000	1,230	(230)
SDW act	18,000	16,875	1,125
<b>Total Operating Expenses</b>	<b>3,609,667</b>	<b>4,750,182</b>	<b>(1,140,515)</b>
<b>Operating Income</b>	<b>1,226,517</b>	<b>89,342</b>	<b>(1,137,175)</b>

(continued)

CITY OF TEGA CAY  
UTILITY FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2019

	Budget	Actual Amounts	Variance with Final Budget
<b>Nonoperating Revenues (Expenses)</b>			
Grant revenue	\$ -	\$ 456,503	\$ 456,503
Interest revenue	20	7,663	7,643
Interest expense and fiscal charges	-	(434,260)	(434,260)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>20</u>	<u>29,906</u>	<u>29,886</u>
<b>Change in Net Position</b>	1,226,537	119,248	(1,107,289)
<b>Net Position, beginning</b>	<u>5,823,390</u>	<u>5,823,390</u>	<u>-</u>
<b>Net Position, ending</b>	<u>\$ 7,049,927</u>	<u>\$ 5,942,638</u>	<u>\$ (1,107,289)</u>

CITY OF TEGA CAY  
STORMWATER FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Stormwater compliance fees	\$ 520,000	\$ 530,193	\$ 10,193
<b>Total Operating Revenues</b>	<u>520,000</u>	<u>530,193</u>	<u>10,193</u>
<b>Operating Expenses</b>			
Salaries	175,829	159,959	15,870
Employee benefits	71,294	124,206	(52,912)
Professional services	20,000	22,526	(2,526)
Travel and training	1,000	310	690
Cell phone	2,000	1,969	31
Permits	2,000	2,000	-
Billing services	2,200	2,130	70
Vehicle maintenance	25,000	23,310	1,690
Insurance	5,000	7,360	(2,360)
Auto expense	18,000	20,411	(2,411)
Drainage maintenance materials	146,835	57,518	89,317
Information technology	10,000	25,181	(15,181)
Dues and subscriptions	150	-	150
Depreciation	-	67,166	(67,166)
<b>Total Operating Expenses</b>	<u>479,308</u>	<u>514,046</u>	<u>(34,738)</u>
<b>Operating Income (Loss)</b>	<u>40,692</u>	<u>16,147</u>	<u>(24,545)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense and fiscal charges	-	(3,883)	(3,883)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>(3,883)</u>	<u>(3,883)</u>
<b>Change in Net Position</b>	40,692	12,264	(28,428)
<b>Net Position, beginning</b>	<u>145,904</u>	<u>145,904</u>	<u>-</u>
<b>Net Position, ending</b>	<u>\$ 186,596</u>	<u>\$ 158,168</u>	<u>\$ (28,428)</u>

CITY OF TEGA CAY

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS  
AND SURCHARGES (per ACT 96)  
YEAR ENDED SEPTEMBER 30, 2019

FOR THE STATE TREASURER'S OFFICE

COUNTY/MUNICIPAL FUNDS COLLECTED BY THE CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments</b>				
Court fines and assessments collected	\$ -	\$ -	\$ 77,395	\$ 77,395
Court fines and assessments remitted to State Treasurer	-	-	69,135	69,135
<b>Total Court Fines and Assessments Retained</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,260</b>	<b>\$ 8,260</b>
<b>Surcharges and Assessments Retained for Victim Services</b>				
Surcharges collected and retained	\$ -	\$ -	\$ 7,428	\$ 7,428
Assessments retained	-	-	8,260	8,260
<b>Total Surcharges and Assessments Retained for Victim Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,688</b>	<b>\$ 15,688</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year - Beginning Balance	\$ 66,068	\$ -	\$ 66,068
<b>Victim Service Revenue</b>			
Victim Service fines retained by City/County Treasurer	-	-	-
Victim Service assessments retained by City/County Treasurer	8,260	-	8,260
Victim Service surcharges retained by City/County Treasurer	7,428	-	7,428
Interest earned	-	-	-
Grant funds received	-	-	-
Grant from:	-	-	-
General funds transferred to Victim Service Fund	-	-	-
<b>Contribution Received from Victim Service Contracts</b>	-	-	-
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 81,756</b>	<b>\$ -</b>	<b>\$ 81,756</b>

CITY OF TEGA CAY

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS  
AND SURCHARGES (per ACT 96) - Continued  
YEAR ENDED SEPTEMBER 30, 2019

	<u>Municipal</u>	<u>County</u>	<u>Total</u>
<b>Expenditures for Victim Service Program</b>			
Salaries and benefits	\$ -	\$ -	\$ -
Operating expenditures	-	-	-
<b>Victim Service Contract(s)</b>	-	-	-
(1) Entity's name	-	-	-
(2) Entity's name	-	-	-
<b>Victim Service Donation(s)</b>	-	-	-
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) Other local direct crime victims service agency	-	-	-
Transferred to General Fund	-	-	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	81,756	-	81,756
Less: Prior Year Fund Deficit Repayment	-	-	-
<b>Carryforward Funds - End of Year</b>	<u>\$ 81,756</u>	<u>\$ -</u>	<u>\$ 81,756</u>