

**CITY OF TEGA CAY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2015**

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**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2015**

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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, 2015, 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  
June 29, 2016

## **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, 2015, 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  
June 29, 2016

## 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, 2015. 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 \$12,743,707 (*net position*). Of this amount, the unrestricted net position balance is \$(1,032,450).
- The City's total net position for governmental activities increased \$120,648 over the course of this year's operations before a prior period adjustment of \$3,504,676 to restate beginning net position. Net position of the business-type activity, which represents the water and sewer and stormwater funds, increased by \$554,741 before a prior period adjustment of \$929,013 to restate beginning net position.
- The City issued new debt during the year consisting of \$145,887 in capital lease obligations.
- The City repaid \$1,359,969 of bonds, notes and capital lease payables during the year.
- During the year, the City's governmental activity expenses were \$9,195,767, program revenues were \$4,131,860 and general revenues were \$5,184,555. This resulted in an excess of revenues over expenses of \$120,648 in the governmental activities.
- In the City's business-type activities, operating revenues were \$4,446,586 while expenses were \$3,763,964. This resulted in an operating gain of \$682,622.
- The City's governmental capital assets, net of depreciation at September 30, 2015, totaled \$16,507,440 while business-type capital assets, net of depreciation, totaled \$13,205,634. The City's governmental capital assets decreased by \$659,107 during the year and the business-type capital assets decreased by \$679,745 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,827,803, an increase of \$361,574 from the prior year. Approximately 68 percent of this total amount, \$2,600,078 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 \$2,450,804 or 33 percent of total general fund expenditures.
- The City recorded a prior period adjustment to the government-wide and business-type financial statements to record net pension liability and restate beginning net position associated with the implementation of GASB Statement No.68. The adjustment reduced net position by \$3,504,676 and \$929,013, respectively. The adjustment did not affect the cash flow or current period operations of the City.

### 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.
  - o 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**

	<u>Government-wide Statements</u>	<u>Fund Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
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 \$675,389 or 4.1 percent between fiscal years 2015 and 2014. (See Table A-1.) The largest portion of the City's net position (106%) 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	
	2015	2014	2015	2014	2015	2014
Current and other	\$ 4,483,815	\$ 4,635,036	\$ 1,472,488	\$ 993,262	\$ 5,956,303	\$ 5,628,298
Capital assets	16,507,440	17,166,547	13,205,634	13,885,379	29,713,074	31,051,926
Total assets	20,991,255	21,801,583	14,678,122	14,878,641	35,669,377	36,680,224
Deferred outflows of resources	281,720	71,895	105,863	-	387,583	71,895
Total deferred outflows of resources	281,720	71,895	105,863	-	387,583	71,895
Long-term debt	12,221,590	9,213,190	9,889,894	9,697,237	22,111,484	18,910,427
Other liabilities	505,379	1,092,466	254,735	247,219	760,114	1,339,685
Total liabilities	12,726,969	10,305,656	10,144,629	9,944,456	22,871,598	20,393,902
Deferred inflows of resources	362,217	-	79,443	-	441,660	-
Total deferred inflows of resources	362,217	-	79,443	-	441,660	-
Net position						
Invested in capital assets, net of related debt	8,351,325	8,502,745	5,140,766	5,474,183	13,492,091	13,976,928
Restricted	31,546	-	252,520	252,495	284,066	252,495
Unrestricted (deficit)	(199,077)	3,065,077	(833,373)	(792,493)	(1,032,450)	2,272,584
Prior period adjustment	-	(3,504,676)	-	(929,013)	-	(4,433,689)
Total net position	\$ 8,183,794	\$ 8,063,146	\$ 4,559,913	\$ 4,005,172	\$ 12,743,707	\$ 12,068,318

**Changes in Net Position.** The City's total reported revenues increased by \$1.9 million to \$13.9 million. (See Table A-2.) About 31 percent of the City's revenue comes from property taxes. Fees charged for services account for about 61 percent.

The total cost of all programs and services increased approximately \$2 million. The City's expenses cover a range of services, with about 23 percent related to public safety and 31 percent related to enterprise fund operations.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015-2014</b>
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 4,088	\$ 3,863	\$ 4,446	\$ 2,888	\$ 8,534	\$ 6,751	26.41%
Grants and contributions	43	387	-	-	43	387	-88.89%
General revenues							
Property taxes	4,361	4,242	-	-	4,361	4,242	2.81%
Other taxes	631	545	-	-	631	545	15.78%
Intergovernmental	160	186	-	-	160	186	-13.98%
Other	33	(49)	-	-	33	(49)	-167.35%
Transfers	-	-	161	-	161	-	0.00%
<b>Total revenues</b>	<b>9,316</b>	<b>9,174</b>	<b>4,607</b>	<b>2,888</b>	<b>13,923</b>	<b>12,062</b>	<b>15.43%</b>
<b>Expenses</b>							
General government	\$ 1,104	\$ 859	\$ -	\$ -	\$ 1,104	\$ 859	28.52%
Building inspection	475	408	-	-	475	408	16.42%
Public works	777	701	-	-	777	701	10.84%
Public safety	2,047	1,877	-	-	2,047	1,877	9.06%
Fire services	1,037	850	-	-	1,037	850	22.00%
Community events and services	158	82	-	-	158	82	92.68%
Parks and recreation	505	417	-	-	505	417	21.10%
Non-departmental	1,229	1,669	-	-	1,229	1,669	-26.36%
Memorial	-	5	-	-	-	5	-100.00%
Beach and Swim Club	222	229	-	-	222	229	-3.06%
Golf course	1,422	1,126	-	-	1,422	1,126	26.29%
Interest and fiscal charges	220	245	-	-	220	245	-10.20%
Water and sewer	-	-	3,668	2,439	3,668	2,439	50.39%
Stormwater	-	-	385	319	385	319	20.69%
<b>Total expenses</b>	<b>9,196</b>	<b>8,468</b>	<b>4,053</b>	<b>2,758</b>	<b>13,249</b>	<b>11,226</b>	<b>18.02%</b>
Excess (deficiency) before transfers	120	706	554	130	674	836	-19.38%
<b>Increase (decrease) in net position</b>	<b>\$ 120</b>	<b>\$ 706</b>	<b>\$ 554</b>	<b>\$ 130</b>	<b>\$ 674</b>	<b>\$ 836</b>	<b>-19.38%</b>

## Governmental Activities

Revenues for the City’s governmental activities increased \$142 thousand or 2 percent, while total expenses increased \$1,719 thousand or 37 percent.

- Property tax revenues increased approximately \$119 thousand from the prior year primarily due to a growing community.
- Charges for services were \$225 thousand higher than prior year due to a growing community.

## Business-Type Activities

Revenues of the City’s business-type activities increased approximately \$1,719 thousand to \$4.6 million, while expenses increased approximately to \$1,295 thousand. (Refer to Table A-2.) Factors contributing to these results included:

- Revenues and expenses increased primarily due to the addition of a new utility system.

## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$3,827,803, an increase of \$361,574 over the prior year. The primary reason for the governmental fund’s change is an increase in inspection fees, business licenses, permits collected, and property tax increases.

## General Fund Budgetary Highlights

Actual general fund expenditures were \$236 thousand above budgeted amounts. This is primarily due to capital outlay expenditures.

Resources available for appropriation were \$66 thousand above the budgeted amount. The increases were due primarily to grants received in excess of budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015, the City had invested \$29 million in a broad range of capital assets, net of depreciation. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$2 million, or 6 percent, below last year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
Land	\$ 5,836	\$ 5,836	\$ -	\$ -	\$ 5,836	\$ 5,836	0.00%
Buildings and improvements	10,353	10,313	-	-	10,353	10,313	0.39%
Infrastructure	3,279	3,279	16,311	16,569	19,590	19,848	-1.30%
Machinery and equipment	4,512	4,295	915	895	5,427	5,190	4.57%
Accumulated depreciation	(7,474)	(6,557)	(4,020)	(3,579)	(11,494)	(10,136)	13.40%
	<u>\$ 16,506</u>	<u>\$ 17,166</u>	<u>\$ 13,206</u>	<u>\$ 13,885</u>	<u>\$ 29,712</u>	<u>\$ 31,051</u>	

This year's major capital asset additions included:

- Purchase of vehicles for \$153,492.

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

### Long-term Debt

At year end, the City had \$17.1 million in bonds, notes payable, and capital lease obligations outstanding as shown in Table A-4. The City repaid principal of \$1.3 million on bonds, notes and capital leases payable during the year. The City also issued new capital leases totaling \$146 thousand.

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
	2015	2014	2015	2014	2015	2014	2015-2014
Revenue bonds	\$ -	\$ -	\$ 7,847	\$ 7,900	\$ 7,847	\$ 7,900	-0.67%
Due to developers	-	-	802	1,116	802	1,116	-28.14%
Notes payable	-	-	-	174	-	174	-100.00%
General obligation bonds	7,498	7,969	76	91	7,574	8,060	-6.03%
Capital lease obligations	657	695	218	337	875	1,032	-15.21%
	<u>\$ 8,155</u>	<u>\$ 8,664</u>	<u>\$ 8,943</u>	<u>\$ 9,618</u>	<u>\$ 17,098</u>	<u>\$ 18,282</u>	-6.48%

### 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, P.O. Box 3399, Tega Cay, South Carolina 29708.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF TEGA CAY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,800,127	\$ 520,989	\$ 4,321,116
Cash and cash equivalents, restricted	84,163	252,520	336,683
Receivables (net of allowances for uncollectibles)			
Taxes	164,755	-	164,755
Water and sewer	-	449,644	449,644
Intergovernmental	48,343	-	48,343
Other	143,837	415,173	559,010
Prepays	20,742	1,294	22,036
Inventory	54,716	-	54,716
Internal balances	167,132	(167,132)	-
Capital assets			
Non-depreciable	5,836,220	-	5,836,220
Depreciable, net	10,671,220	13,205,634	23,876,854
<b>Total Assets</b>	<b>20,991,255</b>	<b>14,678,122</b>	<b>35,669,377</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	64,657	-	64,657
Deferred outflows related to pensions	217,063	105,863	322,926
<b>Total deferred outflows of resources</b>	<b>281,720</b>	<b>105,863</b>	<b>387,583</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	396,706	183,287	579,993
Customer water deposits	-	71,448	71,448
Bail bonds	3,385	-	3,385
Due to developers	84,163	-	84,163
Due to other governmental units	3,597	-	3,597
Unearned revenues	65,194	-	65,194
Long-term liabilities			
Due within one year			
General obligation bonds	493,256	21,744	515,000
Revenue bonds	-	310,000	310,000
Capital leases	224,587	120,792	345,379
Compensated absences	167,878	5,047	172,925
Due in more than one year			
Due to developers	-	802,104	802,104
General obligation bonds	7,005,213	47,787	7,053,000
Revenue bonds	-	7,537,000	7,537,000
Capital leases	433,059	97,076	530,135
Net pension liability	3,520,451	942,290	4,462,741
Unamortized bond premium	329,480	6,054	335,534
<b>Total Liabilities</b>	<b>12,726,969</b>	<b>10,144,629</b>	<b>22,871,598</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	362,212	79,443	441,655
<b>Total deferred inflows of resources</b>	<b>362,212</b>	<b>79,443</b>	<b>441,655</b>
<b>Net Position</b>			
Investment in capital assets, net of related debt	8,351,325	5,140,766	13,492,091
Restricted	31,546	252,520	284,066
Unrestricted	(199,077)	(833,373)	(1,032,450)
<b>Total Net Position</b>	<b>\$ 8,183,794</b>	<b>\$ 4,559,913</b>	<b>\$ 12,743,707</b>

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

CITY OF TEGA CAY  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary Government</b>						
Governmental Activities:						
General government	\$ 1,104,341	\$ 1,103,737	\$ -	\$ -	\$ (604)	\$ (604)
Developmental services	474,878	913,100	-	-	438,222	438,222
Public works	777,585	1,035	-	-	(776,550)	(776,550)
Police	2,046,943	125,660	-	-	(1,921,283)	(1,921,283)
Fire services	1,036,695	-	-	-	(1,036,695)	(1,036,695)
Community events and services	158,384	34,996	-	-	(123,388)	(123,388)
Parks and recreation	505,207	326,752	-	43,728	(134,727)	(134,727)
Non-departmental	1,228,034	-	-	-	(1,228,034)	(1,228,034)
Beach and swim club	222,075	199,409	-	-	(22,666)	(22,666)
Golf course	1,421,535	1,383,443	-	-	(38,092)	(38,092)
Interest and fiscal charges	220,090	-	-	-	(220,090)	(220,090)
<b>Total Governmental Activities</b>	<u>9,195,767</u>	<u>4,088,132</u>	<u>-</u>	<u>43,728</u>	<u>(5,063,907)</u>	<u>(5,063,907)</u>
Business-type Activities:						
Water and sewer	3,667,952	4,051,037	-	-	-	383,085
Stormwater	384,709	395,549	-	-	-	10,840
<b>Total Business-type Activities</b>	<u>4,052,661</u>	<u>4,446,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,925</u>
<b>Total Primary Government</b>	<u>\$ 13,248,428</u>	<u>\$ 8,534,718</u>	<u>\$ -</u>	<u>\$ 43,728</u>	<u>(5,063,907)</u>	<u>393,925</u>
<b>General Revenues</b>						
Taxes						
Property taxes					4,360,872	-
Local hospitality taxes					164,993	-
Franchise taxes					466,866	-
Miscellaneous					28,503	160,775
Intergovernmental revenue					160,049	-
Interest revenue					2,916	41
Insurance recoveries					5,015	-
Loss on disposal of capital assets					(4,659)	-
<b>Total General Revenues</b>					<u>5,184,555</u>	<u>160,816</u>
<b>Change in Net Position</b>					<u>120,648</u>	<u>554,741</u>
<b>Net Position, beginning</b>					<u>11,567,822</u>	<u>4,934,185</u>
<b>Prior Period Adjustment</b>					<u>(3,504,676)</u>	<u>(929,013)</u>
<b>Net Position, beginning - as restated</b>					<u>8,063,146</u>	<u>4,005,172</u>
<b>Net Position, ending</b>					<u>\$ 8,183,794</u>	<u>\$ 4,559,913</u>

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF TEGA CAY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,352,983	\$ 1,447,144	\$ 3,800,127
Cash and cash equivalents, restricted	84,163	-	84,163
Receivables (net of allowances for uncollectibles)			
Taxes	164,755	-	164,755
Intergovernmental	48,343	-	48,343
Other	122,394	21,443	143,837
Due from other funds	224,836	1,503	226,339
Prepays	6,037	14,705	20,742
Inventory	-	54,716	54,716
<b>Total Assets</b>	<u>\$ 3,003,511</u>	<u>\$ 1,539,511</u>	<u>\$ 4,543,022</u>
<b>Liabilities</b>			
Accounts payable	\$ 177,339	\$ 83,883	\$ 261,222
Other accrued liabilities	102,566	26,407	128,973
Bail bonds	3,385	-	3,385
Due to other funds	34,596	24,611	59,207
Due to other governmental units	3,597	-	3,597
Due to developers	84,163	-	84,163
Unearned revenue	-	65,194	65,194
<b>Total Liabilities</b>	<u>405,646</u>	<u>200,095</u>	<u>605,741</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	109,478	-	109,478
<b>Total Deferred Inflows of Resources</b>	<u>109,478</u>	<u>-</u>	<u>109,478</u>
<b>Fund Balances</b>			
Nonspendable	6,037	67,021	73,058
Restricted	31,546	1,062,674	1,094,220
Committed	-	60,447	60,447
Unassigned	2,450,804	149,274	2,600,078
<b>Total Fund Balances</b>	<u>2,488,387</u>	<u>1,339,416</u>	<u>3,827,803</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 3,003,511</u>	<u>\$ 1,539,511</u>	<u>\$ 4,543,022</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, 2015**

<b>Fund Balance - Governmental Funds</b>		\$ 3,827,803
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p> <p>Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
The cost of capital assets is	23,981,590	
Accumulated depreciation is	<u>(7,474,150)</u>	16,507,440
<p>Bond premiums and deferred costs incurred in governmental activities are recognized as other financing sources in the year they occur.</p>		
		(264,823)
<p>Accrued interest on bonds in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds.</p>		
		(6,511)
<p>Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at year end consist of:</p>		
Bonds payable	(7,498,469)	
Capital lease obligations	(657,646)	
Compensated absences payable	<u>(167,878)</u>	(8,323,993)
<p>Certain other long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
Net pension liability		(3,520,451)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	217,063	
Deferred inflows of resources related to pensions	<u>(362,212)</u>	(145,149)
<p>Deferred revenue related to property tax is not a liability in governmental activities.</p>		
		<u>109,478</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 8,183,794</u></u>

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, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 4,335,519	\$ 164,993	\$ 4,500,512
Fines, fees, licenses and permits	2,826,724	-	2,826,724
Intergovernmental	160,049	-	160,049
Golf	-	1,411,156	1,411,156
Event fees	-	7,641	7,641
Grants	43,728	-	43,728
Sponsorships	10,000	-	10,000
Membership dues	-	166,139	166,139
Rentals	98,954	4,500	103,454
Interest	2,791	125	2,916
Drug seizures	-	11,472	11,472
Other	18,145	28,770	46,915
<b>Total Revenues</b>	<u>7,495,910</u>	<u>1,794,796</u>	<u>9,290,706</u>
<b>Expenditures</b>			
General government	759,701	-	759,701
Developmental services	471,236	-	471,236
Public works	663,246	-	663,246
Police	1,941,738	5,346	1,947,084
Fire services	927,445	-	927,445
Community events and services	-	158,384	158,384
Parks and recreation	449,544	-	449,544
Non-departmental	1,228,034	-	1,228,034
Beach and swim club	-	188,367	188,367
Golf club management	-	1,130,696	1,130,696
Capital outlay	212,939	61,726	274,665
Debt service			
Principal	521,966	131,608	653,574
Interest	232,296	5,662	237,958
<b>Total Expenditures</b>	<u>7,408,145</u>	<u>1,681,789</u>	<u>9,089,934</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>87,765</u>	<u>113,007</u>	<u>200,772</u>
<b>Other Financing Sources (Uses)</b>			
Lease proceeds	145,887	-	145,887
Sale of general capital assets	9,900	-	9,900
Insurance recoveries	5,015	-	5,015
Transfers in/(out)			
Beach and Swim Club Fund	8,288	(8,288)	-
Events and tourism	(223,448)	223,448	-
<b>Total Other Financing Sources (Uses)</b>	<u>(54,358)</u>	<u>215,160</u>	<u>160,802</u>
<b>Net Change in Fund Balances</b>	33,407	328,167	361,574
<b>Fund Balances, beginning</b>	<u>2,454,980</u>	<u>1,011,249</u>	<u>3,466,229</u>
<b>Fund Balances, ending</b>	<u>\$ 2,488,387</u>	<u>\$ 1,339,416</u>	<u>\$ 3,827,803</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, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 361,574</b>
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because (see Note 1, also)</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation in the period.</p>		
Capital outlay	274,665	
Depreciation expense	(919,213)	(644,548)
<p>The net effect of sales and other transactions involving capital assets.</p>		
		(14,559)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		653,574
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used. This is the change in compensated absences.</p>		
		28,197
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		1,273
<p>Governmental funds report the effects of premiums, discounts, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		16,595
<p>Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State Retirement Plans are not reported in the governmental funds but are reported in the Statement of Activities.</p>		
		(160,924)
<p>Deferred revenue is recorded in governmental funds as a reduction in revenue. Deferred revenue related to property tax is not recorded in the Statement of Activities.</p>		
		25,353
<p>Issuance of long-term debt is reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of capital leases		(145,887)
<b>Change in Net Position of Governmental Activities</b>		<b>\$ 120,648</b>

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

**CITY OF TEGA CAY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,280,409	\$ 4,330,028	\$ 4,335,519	\$ 5,491
Fines, fees, licenses and permits	2,525,037	2,821,711	2,826,724	5,013
Intergovernmental	164,396	167,297	160,049	(7,248)
Other	110,686	110,086	173,618	63,532
<b>Total Revenues</b>	<u>7,080,528</u>	<u>7,429,122</u>	<u>7,495,910</u>	<u>66,788</u>
<b>Expenditures</b>				
General government	691,179	743,733	759,701	(15,968)
Development services	460,782	454,582	471,236	(16,654)
Public works	660,751	645,120	663,246	(18,126)
Police	1,911,648	1,954,973	1,941,738	13,235
Fire services	851,563	911,177	927,445	(16,268)
Parks and recreation	377,104	441,616	449,544	(7,928)
Non-departmental	1,106,160	1,200,452	1,228,034	(27,582)
Capital outlay	94,500	56,637	212,939	(156,302)
Debt service				
Principal	805,047	763,410	521,966	241,444
Interest	-	-	232,296	(232,296)
<b>Total Expenditures</b>	<u>6,958,734</u>	<u>7,171,700</u>	<u>7,408,145</u>	<u>(236,445)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>121,794</u>	<u>257,422</u>	<u>87,765</u>	<u>(169,657)</u>
<b>Other Financing Sources</b>				
Proceeds from capital leases	-	-	145,887	145,887
Insurance recoveries	-	-	5,015	5,015
Sale of general capital assets	-	9,900	9,900	-
Transfers in/(out)				
Beach and Swim Club fund	8,288	8,288	8,288	-
Events and Tourism	-	-	(223,448)	(223,448)
Utility Fund	40,000	-	-	-
<b>Total Other Financing Sources</b>	<u>48,288</u>	<u>18,188</u>	<u>(54,358)</u>	<u>(72,546)</u>
<b>Net Change in Fund Balances</b>	170,082	275,610	33,407	(242,203)
<b>Fund Balances, beginning</b>	<u>2,454,980</u>	<u>2,454,980</u>	<u>2,454,980</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 2,625,062</u>	<u>\$ 2,730,590</u>	<u>\$ 2,488,387</u>	<u>\$ (242,203)</u>

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

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015

Assets	Business-type Activities			Total Enterprise Funds
	Utility Fund 1	Utility Fund 2	Stormwater Fund	
<b>Current Assets</b>				
Cash and cash equivalents	\$ 297,521	134,475	\$ 88,993	\$ 520,989
Receivables (net of allowance for doubtful accounts)				
Water and sewer	176,118	273,526	-	449,644
Other	53,145	362,028	-	415,173
Due from other funds	36,333	-	31,220	67,553
Prepaid expenses	407	285	602	1,294
<b>Total Current Assets</b>	<b>563,524</b>	<b>770,314</b>	<b>120,815</b>	<b>1,454,653</b>
<b>Noncurrent Assets</b>				
Restricted cash	252,520	-	-	252,520
Capital assets				
Depreciable, net	7,045,066	5,882,239	278,329	13,205,634
<b>Total Noncurrent Assets</b>	<b>7,297,586</b>	<b>5,882,239</b>	<b>278,329</b>	<b>13,458,154</b>
<b>Total Assets</b>	<b>7,861,110</b>	<b>6,652,553</b>	<b>399,144</b>	<b>14,912,807</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	40,100	42,773	22,990	105,863
<b>Total Deferred Outflows of Resources</b>	<b>40,100</b>	<b>42,773</b>	<b>22,990</b>	<b>105,863</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	77,473	21,409	1,867	100,749
Accrued interest payable	14,785	66,063	1,690	82,538
Compensated absences	857	3,240	950	5,047
Customer deposits	36,400	35,048	-	71,448
Due to general fund	7,333	191,019	-	198,352
Due to other funds	-	36,333	-	36,333
Capital leases - current	33,416	28,048	59,328	120,792
Revenue bonds - current	56,000	254,000	-	310,000
General obligation bonds - current	-	-	21,744	21,744
<b>Total Current Liabilities</b>	<b>226,264</b>	<b>635,160</b>	<b>85,579</b>	<b>947,003</b>
<b>Noncurrent Liabilities</b>				
Due to developers	802,104	-	-	802,104
Capital leases - noncurrent	-	57,297	39,779	97,076
Revenue bonds - noncurrent	1,339,000	6,198,000	-	7,537,000
General obligation bonds - noncurrent	-	-	47,787	47,787
Unamortized bond premium	-	-	6,054	6,054
Net pension liability	356,928	380,723	204,639	942,290
<b>Total Noncurrent Liabilities</b>	<b>2,498,032</b>	<b>6,636,020</b>	<b>298,259</b>	<b>9,432,311</b>
<b>Total Liabilities</b>	<b>2,724,296</b>	<b>7,271,180</b>	<b>383,838</b>	<b>10,379,314</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	30,092	32,098	17,253	79,443
<b>Total Deferred Inflows of Resources</b>	<b>30,092</b>	<b>32,098</b>	<b>17,253</b>	<b>79,443</b>
<b>Net Position</b>				
Investment in capital assets, net of related debt	5,616,650	(655,106)	179,222	5,140,766
Restricted for debt service	252,520	-	-	252,520
Unrestricted (deficit)	(722,348)	47,154	(158,179)	(833,373)
<b>Total Net Position</b>	<b>\$ 5,146,822</b>	<b>(607,952)</b>	<b>\$ 21,043</b>	<b>\$ 4,559,913</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, 2015**

	Business-type Activities			Total Enterprise Funds
	Utility Fund 1	Utility Fund 2	Stormwater Fund	
<b>Operating Revenues</b>				
Stormwater compliance fees	\$ -	\$ -	\$ 395,179	\$ 395,179
Tap fees	484,280	7,250	-	491,530
Irrigation tap	24,050	-	-	24,050
Water fees	957,818	805,374	-	1,763,192
Sewer fees	662,347	1,092,570	-	1,754,917
Water activation fees	3,350	2,250	-	5,600
Reconnect fees	1,950	50	-	2,000
Penalties	1,856	1,850	-	3,706
Other	5,232	810	370	6,412
<b>Total Operating Revenues</b>	<b>2,140,883</b>	<b>1,910,154</b>	<b>395,549</b>	<b>4,446,586</b>
<b>Operating Expenses</b>				
Salaries	227,427	264,437	101,943	593,807
Employee benefits	70,109	101,514	33,054	204,677
Water purchased	290,568	245,186	-	535,754
Sewer treatment fees	279,246	-	-	279,246
Sewer clean-out	4,970	48,919	-	53,889
Water testing	1,073	11,318	-	12,391
Permits	-	-	2,000	2,000
Legal and professional services	34,037	57,409	-	91,446
Meters and supplies	137,732	34,146	-	171,878
Administration expense	10,293	7,982	-	18,275
Training and education	1,224	1,423	-	2,647
Auto expense	7,230	8,999	20,171	36,400
Cell phone	2,216	3,110	-	5,326
Meter reading	-	12,116	-	12,116
Billing	-	14,891	-	14,891
Chemicals	-	49,823	-	49,823
Sludge hauling	-	146,269	-	146,269
Treatment plant maintenance	-	148,334	-	148,334
Equilization tank	-	182,270	-	182,270
Miscellaneous	1,224	2,856	1,213	5,293
Depreciation	487,777	175,947	37,616	701,340
Utilities	51,374	77,539	-	128,913
Office supplies	348	598	-	946
Lift station maintenance	31,038	44,337	-	75,375
Postage	15,865	-	-	15,865
Vehicle maintenance	1,894	1,693	15,986	19,573
Software maintenance	8,523	13,354	-	21,877
Equipment	-	32,504	-	32,504
Dues and subscriptions	1,150	-	-	1,150
SDW act	9,234	11,968	-	21,202
Contracted services	-	-	12,493	12,493
Professional services	-	-	25,584	25,584
Drainage maintenance materials	-	-	127,632	127,632
Insurance	3,434	6,083	2,943	12,460
Bad debt expense	318	-	-	318
<b>Total Operating Expenses</b>	<b>1,678,304</b>	<b>1,705,025</b>	<b>380,635</b>	<b>3,763,964</b>
<b>Operating Income</b>	<b>462,579</b>	<b>205,129</b>	<b>14,914</b>	<b>682,622</b>

(continued)

CITY OF TEGA CAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
 NET POSITION (continued)  
 YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities			Total Enterprise Funds
	Utility Fund 1	Utility Fund 2	Stormwater Fund	
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	\$ 30	\$ 11	\$ -	\$ 41
Interest expense and fiscal charges	(81,635)	(202,988)	(4,074)	(288,697)
Forgiveness of debt	160,775	-	-	160,775
<b>Total Nonoperating Revenues (Expenses)</b>	<u>79,170</u>	<u>(202,977)</u>	<u>(4,074)</u>	<u>(127,881)</u>
<b>Income/Expense before Transfers</b>	<u>541,749</u>	<u>(234,745)</u>	<u>80,519</u>	<u>387,523</u>
<b>Change in Net Position</b>	<u>541,749</u>	<u>2,152</u>	<u>10,840</u>	<u>554,741</u>
<b>Net Position, beginning</b>	4,956,972	(234,745)	211,958	4,934,185
<b>Prior Period Adjustment</b>	<u>(351,899)</u>	<u>(375,359)</u>	<u>(201,755)</u>	<u>(929,013)</u>
<b>Net Position, beginning - as restated</b>	<u>4,605,073</u>	<u>(610,104)</u>	<u>10,203</u>	<u>4,005,172</u>
<b>Net Position, ending</b>	<u>\$ 5,146,822</u>	<u>\$ (607,952)</u>	<u>\$ 21,043</u>	<u>\$ 4,559,913</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, 2015

	Business-type Activities			Total Enterprise Funds
	Utility Fund 1	Utility Fund 2	Stormwater Fund	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 2,036,081	\$ 1,564,213	\$ 395,549	\$ 3,995,843
Payments to suppliers	(884,149)	(1,013,537)	(244,596)	(2,142,282)
Payments to employees	(445,639)	(371,127)	(140,366)	(957,132)
<b>Net Cash Provided by Operating Activities</b>	<u>706,293</u>	<u>179,549</u>	<u>10,587</u>	<u>896,429</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	-	(21,595)	-	(21,595)
Principal payments on bonds	(53,000)	-	(21,744)	(74,744)
Principal payments on notes	(13,466)	-	-	(13,466)
Principal payments on leases	(32,968)	(27,655)	(58,464)	(119,087)
Principal payments on developer advances	(314,073)	-	-	(314,073)
Interest and fiscal charges paid	(69,953)	(193,328)	(2,321)	(265,602)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(483,460)</u>	<u>(242,578)</u>	<u>(82,529)</u>	<u>(808,567)</u>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	30	11	-	41
<b>Net Cash Provided by Investing Activities</b>	<u>30</u>	<u>11</u>	<u>-</u>	<u>41</u>
<b>Net Increase (Decrease) in Cash</b>	222,863	(63,018)	(71,942)	87,903
<b>Cash and Cash Investments, Beginning</b>	327,178	197,493	160,935	685,606
<b>Cash and Cash Investments, Ending</b>	<u>\$ 550,041</u>	<u>\$ 134,475</u>	<u>\$ 88,993</u>	<u>\$ 773,509</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 462,579	205,129	\$ 14,914	\$ 682,622
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	487,777	175,947	37,616	701,340
Changes in assets and liabilities				
Receivables, net	(96,020)	(352,561)	984	(447,597)
Prepaid expenses	3,473	5,212	241	8,926
Accounts payable and accrued expenses	8,276	(75,968)	(6,475)	(74,167)
Deferred inflows/outflows related to pensions	(10,008)	(10,675)	(5,737)	(26,420)
Compensated absences	(3,007)	3,240	264	497
Customer deposits	(3,550)	7,430	-	3,880
Due to/from other funds	(143,227)	221,795	(31,220)	47,348
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 706,293</u>	<u>\$ 179,549</u>	<u>\$ 10,587</u>	<u>\$ 896,429</u>

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

**CITY OF TEGA CAY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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 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 are set forth in Government Accounting Standards Board Statement No. 14. The criteria 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 were 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 years 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, 2015, the City had deposits and investments as follows:

Deposits with financial institutions	<u>\$ 4,818,523</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, 2015, 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 2014 tax year and the assessed valuation of real property was \$40,361,068. 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, 2015, consist of the following:

	<u>General Fund</u>
Property Tax Receivables:	
Real property	\$ 115,018
Vehicle	56,737
Less: allowance for uncollectibles	<u>(7,000)</u>
Total Property Tax Receivables	<u>\$ 164,755</u>
Other Receivables:	
Franchise fees	\$ 116,148
Miscellaneous	<u>27,689</u>
Total Other Receivables	<u>\$ 143,837</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, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,836,220	\$ -	\$ -	\$ 5,836,220
Total Capital Assets, Not Being Depreciated	5,836,220	-	-	5,836,220
Capital assets, being depreciated				
Buildings, improvements and fixed structures	10,313,380	40,265	-	10,353,645
Infrastructure	3,279,333	-	-	3,279,333
Furniture and equipment	2,112,067	102,503	-	2,214,570
Vehicles	2,183,053	131,897	(17,128)	2,297,822
Total Capital Assets, Being Depreciated	17,887,833	274,665	(17,128)	18,145,370
Less: accumulated depreciation				
Buildings, improvements and fixed structures	(3,295,809)	(409,999)	-	(3,705,808)
Infrastructure	(577,440)	(81,983)	-	(659,423)
Furniture and equipment	(1,381,162)	(210,973)	-	(1,592,135)
Vehicles	(1,303,095)	(216,258)	2,569	(1,516,784)
Total Accumulated Depreciation	(6,557,506)	(919,213)	2,569	(7,474,150)
Total Capital Assets, Being Depreciated, Net	11,330,327	(644,548)	(14,559)	10,671,220
Governmental Activities Capital Assets, Net	\$ 17,166,547	\$ (644,548)	\$ (14,559)	\$ 16,507,440

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

General government	\$ 190,765
Developmental services	3,642
Public works	121,388
Fire services	109,250
Police	113,958
Parks and recreation	55,663
Beach and swim	33,708
Golf course	290,839
Total depreciation	<u>\$ 919,213</u>

Capital asset activity for the City’s business-type activities for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated				
Water system	\$ 16,400,344	\$ -	\$ (259,518)	\$ 16,140,826
Legal and engineering fees	150,289	-	-	150,289
Vehicles and equipment	858,531	21,595	-	880,126
Construction interest	19,544	-	-	19,544
Software	35,699	-	-	35,699
Total Capital Assets, Being Depreciated	<u>17,464,407</u>	<u>21,595</u>	<u>(259,518)</u>	<u>17,226,484</u>
Less: accumulated depreciation				
Water system	(3,072,339)	(615,460)	259,518	(3,428,281)
Legal and engineering fees	(70,134)	(5,009)	-	(75,143)
Vehicles and equipment	(381,312)	(80,871)	-	(462,183)
Construction interest	(19,544)	-	-	(19,544)
Software	(35,699)	-	-	(35,699)
Total Accumulated Depreciation	<u>(3,579,028)</u>	<u>(701,340)</u>	<u>259,518</u>	<u>(4,020,850)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,885,379</u>	<u>(679,745)</u>	<u>-</u>	<u>13,205,634</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,885,379</u>	<u>\$ (679,745)</u>	<u>\$ -</u>	<u>\$ 13,205,634</u>

**NOTE 7 – LONG-TERM DEBT**

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

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

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

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

	Principal Outstanding at Year End
	<hr/>
<b><i>General Obligation Bonds</i></b>	
\$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.	\$ 713,000
\$7,180,000 General Obligation Refunding Bonds Series 2013, issued in March 2013, refunded the Series 2006, 2008 and 2008 General Obligation Bonds and partially refunded the Series 2005 General Obligation Bonds. Principal payments are due in annual installments ranging from \$160,000 to \$495,000 each April 1. The interest rates range from 2.0% to 3.0% and are payable semi-annually on each April 1 and October 1. The bonds range in maturity dates from 2014 to 2030.	6,855,000
<b><i>Revenue Bonds</i></b>	
\$7,900,000 Revenue Refunding Bond Series 2014, issued in June 2014, used to refund the Series 2011 Revenue Bonds in the amount of \$1,448,000, with remaining proceeds funding the purchase of a water and sewer infrastructure system. The bonds are payable from revenues of the purchased system operations. Principal payments are due in annual installments ranging from \$53,000 to \$543,000 through June 2034 with interest at 3.16%.	7,847,000
Total	<hr/> <u>\$ 15,415,000</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
2016	\$ 493,256	\$ 213,283	\$ 706,539
2017	503,256	198,465	701,721
2018	521,957	183,348	705,305
2019	510,000	167,612	677,612
2020	530,000	152,290	682,290
2021-2025	2,465,000	537,767	3,002,767
2026-2030	2,475,000	213,359	2,688,359
	<u>\$ 7,498,469</u>	<u>\$ 1,666,124</u>	<u>\$ 9,164,593</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
2016	\$ 331,744	\$ 249,955	\$ 581,699
2017	337,744	239,546	577,290
2018	349,043	228,908	577,951
2019	340,000	217,977	557,977
2020	347,000	207,233	554,233
2021-2025	1,912,000	864,102	2,776,102
2026-2030	2,241,000	405,681	2,646,681
2031-2034	2,058,000	165,616	2,223,616
	<u>\$ 7,916,531</u>	<u>\$ 2,579,018</u>	<u>\$ 10,495,549</u>

### *Capital Leases*

The City has entered into lease agreements as lessee for financing the acquisition of software, golf course equipment, fire vehicles, 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, 2015 was \$116,129 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Building improvements	\$ 7,148
Fire truck	472,098
Vehicles	102,800
Equipment	649,685
	<u>1,231,731</u>
Less accumulated amortization	(525,244)
	<u>\$ 706,487</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2015, were as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2016	\$ 237,029
2017	189,718
2018	226,561
2019	30,804
Total lease payments	684,112
Less: amount representing interest	(26,466)
Present value of minimum lease payments	<u>\$ 657,646</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, 2015 was \$59,201 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Utility vehicles and equipment	\$ 479,508
Less accumulated amortization	<u>(118,544)</u>
	<u>\$ 360,964</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2015, are as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2016	\$ 123,877
2017	69,580
2018	29,260
Total lease payments	222,717
Less: amount representing interest	(4,849)
Present value of minimum lease payments	<u>\$ 217,868</u>

#### *Due to Developers*

During the years ending September 30, 2007 and 2008, the City was advanced funds from two developers for the construction of a sewer interceptor line. Serenity Point, Inc. and Lake Ridge (formally known as Cornerstone Development of the Carolinas, Inc.) agreed to advance \$415,000 and \$2,500,000, respectively, for the construction of the interceptor line.

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

The \$415,000 loan from Serenity Point, Inc. for its portion of the interceptor line construction cost will be repaid by the City with 100% of proceeds from all sewer and water tap fees that are paid to the City from all homes in the Serenity Point subdivision as well as other sources that the City elects. The note is payable in full within three years from the time the planned development district (PDD) has been approved by City Council. During the year ended September 30, 2015, the City collected and reimbursed the developer \$15,512. The balance outstanding at September 30, 2015 is \$169,010.

The \$2,500,000 loan from Lake Ridge for its portion of the interceptor line construction cost plus carrying cost for a total of \$2,695,000 is to be reimbursed by the City with the first six hundred ninety-five (695) tap fees collected by the City from within the Gardendale PDD. The fees are to be paid on a monthly basis as collected. During the year ended September 30, 2015, the City collected and reimbursed the developer \$298,561, which includes a portion of the carrying cost. The balance outstanding at September 30, 2015 is \$633,094.

**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, 2015:

Long-term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 2005	\$ 280,000	\$ -	\$ 280,000	\$ -	\$ -
Series 2012	760,000	-	47,000	713,000	50,000
Series 2013	6,928,725	-	143,256	6,785,469	443,256
Bond Premium	353,313	-	23,833	329,480	-
Total Bonds Payable	8,322,038	-	494,089	7,827,949	493,256
Other Liabilities:					
Capital Leases	695,077	145,887	183,318	657,646	224,587
Compensated Absences	196,075	167,878	196,075	167,878	167,878
Total Other Liabilities	891,152	313,765	379,393	825,524	392,465
	\$ 9,213,190	\$ 313,765	\$ 873,482	\$ 8,653,473	\$ 885,721
Business-type Activities:					
General Obligation Bonds:					
Series 2013	\$ 91,275	\$ -	\$ 21,744	\$ 69,531	\$ 21,744
Bond Premium	6,471	-	417	6,054	-
Revenue Bonds:					
Series 2014	7,900,000	-	53,000	7,847,000	310,000
Total Bonds Payable	7,997,746	-	75,161	7,922,585	331,744
Other Liabilities:					
Due to Developers	1,116,177	-	314,073	802,104	-
Installment Loan	174,241	-	174,241	-	-
Capital Leases	336,955	-	119,087	217,868	120,792
Compensated Absences	4,550	497	-	5,047	5,047
Total Other Liabilities	1,631,923	497	607,401	1,025,019	125,839
	\$ 9,629,669	\$ 497	\$ 682,562	\$ 8,947,604	\$ 457,583

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

Interfund balances at September 30, 2015, 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	\$ 190,239	\$ -
Special Revenue Funds		
Hospitality Tax	1,503	-
Events and Tourism	-	15,074
Beach and Swim Club	-	9,536
Utility Fund	-	167,132
<b>Total</b>	<u><u>\$ 191,742</u></u>	<u><u>\$ 191,742</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, 2015 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 8,288	\$ 223,448
Beach and Swim Club	-	8,288
Hospitality Tax	-	446,700
Events and Tourism	670,148	-
	<u><u>\$ 678,436</u></u>	<u><u>\$ 678,436</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**

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

The State Optional Retirement Program (ORP) is defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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

The SCRS and PORS plans are administered by the South Carolina Public Employee Benefit Authority (PEBA).

### *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 and PORS – Generally, all employees of covered employers are required to participate in either the SCRS or PORS and contribute to the system as a condition of employment.
- State ORP – As an alternative to membership in SCRS, eligible employees have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statements purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS.

### *Benefits*

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

- SCRS – Retired members are eligible for a monthly pension benefit. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.
- PORS – Retired members are eligible for a monthly pension benefit. 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.

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates within certain parameters on the basis of the actuarial valuations.

Required employee contribution rates are as follows:

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

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
SCRS		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.34%	13.01%
Employer Class Three	13.34%	13.01%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

*Net Pension Liability of the Plan*

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

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	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	57.0%
PORS	\$ 6,151,321,222	\$ 3,971,824,838	\$ 2,179,496,384	64.6%

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

### Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30-year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
<b>Short-term</b>			
Cash	2.0%	1.90%	0.04%
Short duration	3.0%	2.00%	0.06%
<b>Domestic Fixed Income</b>			
Core fixed income	7.0%	2.70%	0.19%
Mixed credit	6.0%	3.80%	0.23%
<b>Global Fixed Income</b>			
Global fixed income	3.0%	2.80%	0.08%
Emerging markets debt	6.0%	5.10%	0.31%
<b>Global Public Equity</b>	31.0%	7.10%	2.20%
<b>Global Tactical Asset Allocation</b>	10.0%	4.90%	0.49%
<b>Alternatives</b>			
Hedge funds (low beta)	8.0%	4.30%	0.34%
Private debt	7.0%	9.90%	0.69%
Private equity	9.0%	9.90%	0.89%
Real estate (broad market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total expected real return	100.0%		6.00%
Inflation for Actuarial purposes			2.75%
Total expected nominal return			8.75%

## Discount Rate

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

## Sensitivity Analysis

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

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 23,910,053,704	\$ 18,965,482,129	\$ 14,821,302,520
PORS	\$ 2,968,982,818	\$ 2,179,496,384	\$ 1,473,738,169

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

At September 30, 2015, the City reported a liability of \$4,462,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended September 30, 2015, the City recognized pension expense of \$166,777 for its participation in the SCRS Plan and pension expense of \$182,256 for its participation in the PORS Plan. The expense amount includes actual employer contributions, changes in deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability, and differences between actual employer contributions and proportionate share of total plan employer contributions as reported by PEBA for the year ended September 30, 2015.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,318	\$ -
Changes of assumptions:		
Net difference between projected and actual earnings on pension plan investments	-	362,212
Changes in proportion and differences between: Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	120,745	-
Total	<u>\$ 217,063</u>	<u>\$ 362,212</u>

\$120,745 and \$79,163 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, 2016.

	Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,700	\$ -
Changes of assumptions:		
Net difference between projected and actual earnings on pension plan investments	-	79,843
Changes in proportion and differences between: Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	79,163	-
Total	<u>\$ 105,863</u>	<u>\$ 79,843</u>

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 4.233 years for SCRS and PORS.

Measurement Period Ending June 30,	Governmental Activities	Business-type Activities
2015	\$ 62,815	\$ 12,460
2016	62,815	12,460
2017	62,815	12,460
2018	62,815	12,460
Thereafter	14,634	2,903
Net Balance of Deferred Outflow/(Inflow) of Resources	<u>\$ 265,894</u>	<u>\$ 52,743</u>

## **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, 2015.

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**NOTE 13 – FUND BALANCE CLASSIFICATIONS**

	<u>Special Revenue Funds</u>							<b>Total Governmental Funds</b>
	<u>General Fund</u>	<u>Memorial</u>	<u>Police</u>	<u>Beach and Swim Club</u>	<u>Hospitality Tax</u>	<u>Golf Club</u>	<u>Events and Tourism</u>	
Fund Balances								
<b>Nonspendable</b>								
Prepaid	\$ 6,037	\$ -	\$ -	\$ 880	\$ -	\$ 11,425	\$ -	\$ 18,342
Inventory	-	-	-	-	-	54,716	-	54,716
<b>Restricted</b>								
In accordance with								
donor stipulations	-	7,805	-	-	-	-	-	7,805
Victims' rights	31,546	-	-	-	-	-	-	31,546
Hospitality	-	-	-	-	140,005	-	914,864	1,054,869
<b>Committed</b>								
Police	-	-	11,657	-	-	-	-	11,657
Beach and Swim	-	-	-	48,790	-	-	-	48,790
<b>Unassigned</b>	<u>2,450,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,274</u>	<u>-</u>	<u>2,600,078</u>
<b>Total</b>	<u><u>\$ 2,488,387</u></u>	<u><u>\$ 7,805</u></u>	<u><u>\$ 11,657</u></u>	<u><u>\$ 49,670</u></u>	<u><u>\$ 140,005</u></u>	<u><u>\$ 215,415</u></u>	<u><u>\$ 914,864</u></u>	<u><u>\$ 3,827,803</u></u>

**NOTE 14 – GOLF COURSE MANAGEMENT AGREEMENT**

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

Subsequent to yearend, the City of Tega Cay (Owner) renewed its existing management agreement dated July 1, 2010 as previously amended with Tega Cay Management Group, LLC (Operator) to manage and operate the golf course and all related facilities including clubhouse, restaurant and bar, outdoor pavilion, tennis courts and a community center. The terms of the agreement shall begin on November 1, 2012 and shall terminate on October 31, 2017. The term will automatically extend for an additional twelve months, November 1, 2015 through October 31, 2016, unless the City, in its sole discretion, notifies the Operator in writing, prior to, or on, July 31, 2015 that the City elects not to extend the term. The term will automatically extend for an additional twelve months, November 1, 2016 through October 31, 2017, unless the City, in its sole discretion, notifies the Operator in writing, prior to, or on, July 31, 2016 that the City elects not to extend the term. If extended, the term will automatically terminate on October 31, 2017.

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

**NOTE 15 – COMMITMENTS**

On September 21, 2012, the City entered into an agreement with the South Carolina Department of Transportation (SCDOT) and Drake Gardendale, LLC (Drake Gardendale) to construct walking trails in the Gardendale and Lake Ridge Developments and Catawaba River Park. The project construction cost is estimated to be approximately \$630,939. The City is obligated to pay SCDOT \$182,939 for construction of the walking trails and any cost overruns. SCDOT will provide a maximum of \$448,000 in federal funds for construction cost. Drake Gardendale has reimbursed the City \$182,939 for its share of the project funding and as of September 30, 2013, the City has paid SCDOT \$182,939 for construction of the walking trails.

**NOTE 16– PRIOR PERIOD ADJUSTMENT**

The City has recorded a prior period adjustment to the government-wide financial statements to adjust net pension liability and net position balance of prior years to implement GASB Statement No. 68, as described in Note 10. The adjustment is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Prior period adjustment		
Beginning net position, as previously reported at September 30, 2014	\$ 11,567,822	\$ 4,934,185
Prior period adjustment - Implementation GASB 68:		
Net pension liability (measurement date)	(3,753,059)	(981,681)
Deferred outflows - City contributions made during fiscal year 2014	248,383	52,668
Total prior period adjustment	<u>(3,504,676)</u>	<u>(929,013)</u>
Net position, as restated at October 1, 2014	<u>\$ 8,063,146</u>	<u>\$ 4,005,172</u>

**NOTE 17- SUBSEQUENT EVENTS**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF TEGA CAY

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM**

	2015
<u>SCRS</u>	
Contractually required Contribution	\$ 199,908
Contributions in relation to the contractually required contribution	(199,908)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,852,173
Contributions as a percentage of covered-employee payroll	10.79%
	2015
<u>PORS</u>	
Contractually required Contribution	\$ 206,535
Contributions in relation to the contractually required contribution	(206,535)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,577,034
Contributions as a percentage of covered-employee payroll	13.1%

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

CITY OF TEGA CAY

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM**

	2015
<u>SCRS</u>	
City's proportion of the net pension liability	0.014%
City's proportionate share of the net pension liability	\$ 2,379,518
City's covered-employee payroll	\$ 1,852,173
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.5%
Plan fiduciary net position as a percentage of the total pension liability	59.9%
	2015
<u>PORS</u>	
City's proportion of the net pension liability	0.109%
City's proportionate share of the net pension liability	\$ 2,083,223
City's covered-employee payroll	\$ 1,577,034
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.1%
Plan fiduciary net position as a percentage of the total pension liability	67.5%

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

**CITY OF TEGA CAY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, 2014, 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, 2015 reported in that schedule can be found in Note 10 of the basic financial statements.

**SUPPLEMENTARY INFORMATION**

## **GENERAL FUND**

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

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Real property	\$ 3,799,175	\$ 3,772,480	\$ 3,769,312	\$ (3,168)
Vehicle	476,234	551,048	559,939	8,891
Tax penalties	5,000	6,500	6,268	(232)
<b>Totals</b>	<b>4,280,409</b>	<b>4,330,028</b>	<b>4,335,519</b>	<b>5,491</b>
<b>Fines, fees, licenses and permits</b>				
Court fines and forfeitures	60,000	80,000	84,116	4,116
Parking tickets	2,000	1,200	1,200	-
Franchise fees	407,000	453,202	466,866	13,664
Inspection and permit fees	775,000	900,000	915,300	15,300
Business licenses	963,500	1,030,000	1,002,583	(27,417)
Recreation fees	288,037	327,437	326,752	(685)
Waste management fees	1,000	1,000	1,035	35
Security fees	28,500	28,872	28,872	-
<b>Totals</b>	<b>2,525,037</b>	<b>2,821,711</b>	<b>2,826,724</b>	<b>5,013</b>
<b>Intergovernmental</b>				
State shared	164,396	167,297	160,049	(7,248)
<b>Totals</b>	<b>164,396</b>	<b>167,297</b>	<b>160,049</b>	<b>(7,248)</b>
<b>Other</b>				
Interest	3,300	3,300	2,791	(509)
Sponsorships	10,000	10,000	10,000	-
Grants	-	-	43,728	43,728
Rentals	87,386	93,286	98,954	5,668
Other	10,000	3,500	18,145	14,645
<b>Totals</b>	<b>110,686</b>	<b>110,086</b>	<b>173,618</b>	<b>63,532</b>
<b>Total Revenues</b>	<b>\$ 7,080,528</b>	<b>\$ 7,429,122</b>	<b>\$ 7,495,910</b>	<b>\$ 66,788</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, 2015

	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	\$ 19,851	\$ 549
Employee benefits	2,148	2,136	2,153	(17)
Other	300	200	186	14
Travel and training	6,500	7,685	8,779	(1,094)
Meeting expense	5,000	5,761	5,929	(168)
Storage and flags	2,000	350	406	(56)
Flowers	500	1,275	1,426	(151)
Dues and subscriptions	-	100	100	-
<b>Total Municipal Council</b>	<b>36,848</b>	<b>37,907</b>	<b>38,830</b>	<b>(923)</b>
<b>Municipal Court</b>				
Salaries	35,024	32,000	31,951	49
Employee benefits	6,846	6,483	6,477	6
Additional help	1,000	2,500	3,204	(704)
Jurors	250	-	-	-
Supplies	250	67	333	(266)
Travel and training	500	-	-	-
Cell phone	300	150	150	-
Dues and subscriptions	50	-	-	-
Reimbursement to other governments	36,000	47,000	47,667	(667)
<b>Total Municipal Court</b>	<b>80,220</b>	<b>88,200</b>	<b>89,782</b>	<b>(1,582)</b>
<b>Administration</b>				
Salaries	330,426	360,000	362,109	(2,109)
Employee benefits	125,007	126,916	126,192	724
Medical	-	1,757	1,757	-
Professional services	27,000	31,027	37,277	(6,250)
Data processing services	13,000	13,400	13,988	(588)
Codify ordinances	3,000	2,524	2,524	-
Contract services	6,000	5,000	5,102	(102)
Auto operation	1,500	1,800	2,340	(540)
Copier	7,000	10,000	9,924	76
IT expenses	2,000	4,060	4,059	1
Office supplies	15,000	14,000	14,553	(553)
Other	12,000	12,000	14,767	(2,767)
Travel and training	7,000	12,105	13,567	(1,462)
Cell phone	4,800	5,000	5,168	(168)
Postage	2,000	2,500	2,755	(255)
Repairs and maintenance	1,200	1,000	1,003	(3)
Software maintenance	9,500	6,000	5,237	763
Legal advertising	1,000	1,000	1,230	(230)
Dues and subscriptions	6,678	7,537	7,537	-
<b>Total Administration</b>	<b>574,111</b>	<b>617,626</b>	<b>631,089</b>	<b>(13,463)</b>
<b>Total General Government</b>	<b>691,179</b>	<b>743,733</b>	<b>759,701</b>	<b>(15,968)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Developmental Services</b>				
Salaries	\$ 318,474	\$ 304,159	\$ 302,546	\$ 1,613
Employee benefits	101,954	106,150	106,395	(245)
Medical	-	261	261	-
Professional services	5,000	13,000	15,984	(2,984)
Comprehensive plan	2,000	800	796	4
Contract services	1,500	1,422	1,422	-
Copier	1,960	3,250	3,220	30
IT expenses	3,000	1,200	1,200	-
Software maintenance	6,000	6,000	6,000	-
Supplies	6,000	5,000	5,033	(33)
Other	1,200	1,000	15,970	(14,970)
Travel and training	6,235	4,000	3,944	56
Cell phone	3,125	4,000	3,939	61
Auto operation	2,667	2,000	1,884	116
Vehicle maintenance	667	1,235	1,234	1
Dues and subscriptions	1,000	1,105	1,408	(303)
Capital outlay	12,400	12,400	20,953	(8,553)
<b>Total Developmental Services</b>	<b>473,182</b>	<b>466,982</b>	<b>492,189</b>	<b>(25,207)</b>
<b>Public Works</b>				
Salaries	283,720	281,500	280,217	1,283
Employee benefits	147,031	138,790	136,467	2,323
Medical	500	955	955	-
Professional services	10,000	4,810	6,532	(1,722)
Uniforms	6,000	3,500	2,642	858
IT expenses	2,000	1,500	1,157	343
Auto operation	20,000	12,000	12,509	(509)
BCAC	1,000	1,500	1,494	6
Landfill charges	1,000	1,800	1,732	68
Small tools	2,500	3,200	2,990	210
Supplies	20,000	23,000	24,611	(1,611)
Travel and training	2,500	2,400	2,406	(6)
Cell phone	7,000	3,200	3,362	(162)
Repairs - equipment	4,000	2,500	2,224	276
Building grounds/maintenance	3,000	1,100	1,009	91
Vehicle maintenance	4,000	4,500	4,461	39
Street maintenance	75,000	75,000	92,690	(17,690)
Tree work	17,000	17,000	15,685	1,315
Monument costs	3,000	6,500	6,551	(51)
Contract lawn care	50,000	60,000	63,187	(3,187)
Dues and subscriptions	1,500	365	365	-
Capital outlay	6,200	-	27,699	(27,699)
<b>Total Public Works</b>	<b>666,951</b>	<b>645,120</b>	<b>690,945</b>	<b>(45,825)</b>
<b>Police Department</b>				
Salaries	1,143,494	1,124,000	1,105,123	18,877
Employee benefits	453,694	462,615	461,497	1,118
Medical	1,500	2,619	2,736	(117)
Uniforms	13,000	35,000	38,629	(3,629)
Auto operation	62,000	40,000	39,727	273

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2015

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Police Department (continued)</b>				
Boat operations	\$ 3,000	\$ 1,200	\$ 1,076	\$ 124
Postage	400	300	259	41
Software maintenance	5,500	5,500	1,271	4,229
Supplies	14,000	20,800	20,800	-
Office supplies	5,000	6,800	7,274	(474)
Other	3,000	5,600	11,057	(5,457)
Travel and training	12,000	10,500	10,549	(49)
Cell phones	14,000	11,500	10,926	574
Board and lodge prisoners	10,000	7,000	9,912	(2,912)
Repairs - equipment	7,000	6,500	6,479	21
Building/grounds maintenance	18,000	13,000	12,656	344
Repairs - vehicle	15,000	27,000	25,330	1,670
Dues and subscription	500	620	645	(25)
Copier	11,000	16,500	16,530	(30)
IT expenses	13,000	11,000	11,133	(133)
Dispatch services	106,560	106,669	106,669	-
Capital outlay	52,900	44,237	164,287	(120,050)
SLED	-	38,500	39,733	(1,233)
Community relations	-	1,750	1,727	23
<b>Total Police Department</b>	<b>1,964,548</b>	<b>1,999,210</b>	<b>2,106,025</b>	<b>(106,815)</b>
<b>Fire Services</b>				
Salaries	488,064	517,000	528,068	(11,068)
Employee benefits	190,662	214,902	213,372	1,530
Medical	1,200	1,056	1,056	-
Fuel	10,500	10,800	12,242	(1,442)
Supplies	-	-	1,383	(1,383)
Travel and training	4,000	4,008	4,674	(666)
Cell phones	940	900	830	70
Utilities	14,000	14,300	15,198	(898)
Repairs - vehicle	11,000	25,000	25,014	(14)
Repairs - equipment	-	572	968	(396)
Contribution	81,097	81,097	81,097	-
Other	1,100	512	512	-
Apparatus and equipment	49,000	41,030	43,031	(2,001)
Capital outlay	11,000	-	-	-
<b>Total Fire Services</b>	<b>862,563</b>	<b>911,177</b>	<b>927,445</b>	<b>(16,268)</b>
<b>Parks and Recreation</b>				
Salaries	89,980	105,000	106,666	(1,666)
Employee benefits	25,769	39,538	39,654	(116)
Medical	-	88	88	-
Professional services	2,860	464	464	-
Sports uniforms	60,800	77,600	77,007	593
Referees/extra help	35,750	35,753	35,753	-
Runde field improvements	8,500	8,755	8,755	-
On-line registration	600	600	650	(50)
Supplies	8,000	8,000	8,210	(210)

(continued)

CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Parks and Recreation (continued)</b>				
IT expenses	\$ 2,000	\$ 400	\$ -	\$ 400
Travel and training	750	550	521	29
Auto operations	3,000	4,000	4,011	(11)
Cell phones	750	1,275	1,257	18
Equipment repairs and maintenance	1,000	1,800	1,780	20
Building/grounds maintenance	-	300	300	-
Contract grounds maintenance	45,000	63,910	68,503	(4,593)
Athletic field maintenance	1,500	1,500	1,451	49
Athletic field supplies	1,000	2,000	1,918	82
Recreation equipment	8,000	8,700	8,773	(73)
Professional insurance	3,345	3,345	3,345	-
Dues and subscriprion	500	665	665	-
Entry fees	4,000	2,788	2,788	-
Park maintenance	40,000	42,850	44,643	(1,793)
Trail maintenance	5,000	5,000	4,426	574
Other	-	-	1,200	(1,200)
Doggie stations	2,500	3,800	3,781	19
Turner field improvements	5,500	5,925	5,925	-
Field usage	21,000	17,010	17,010	-
<b>Total Parks and Recreation</b>	<b>377,104</b>	<b>441,616</b>	<b>449,544</b>	<b>(7,928)</b>
<b>Non-departmental</b>				
Safety program	17,000	17,000	18,099	(1,099)
Employees program	3,000	1,944	1,944	-
Street lights	21,000	21,700	23,400	(1,700)
Insurance deductible	-	1,500	1,500	-
Computer repair	60,000	72,000	70,095	1,905
C-Fund road work	-	-	4,125	(4,125)
Legal fees	100,000	118,000	129,996	(11,996)
Property insurance	65,000	50,069	50,069	-
Golf and community center	55,000	75,000	75,855	(855)
Waste management services	651,000	663,459	665,573	(2,114)
Utilities	110,000	132,000	140,559	(8,559)
Stormwater fees	13,440	13,440	13,440	-
Web-site hosting	5,000	4,000	3,326	674
Glennon building expenses	-	14,500	14,227	273
Boat storage cost	5,000	3,200	3,197	3
Newsletter	720	500	489	11
Affordable Care Act fees	-	7,140	7,140	-
Stonecrest HOA dues	-	5,000	5,000	-
Capital outlay	12,000	-	-	-
<b>Total Non-departmental</b>	<b>1,118,160</b>	<b>1,200,452</b>	<b>1,228,034</b>	<b>(27,582)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal	\$ 805,047	\$ 763,410	\$ 521,966	\$ 241,444
Interest and fiscal charges	-	-	232,296	(232,296)
<b>Total Debt Service</b>	805,047	763,410	754,262	9,148
<b>Total Expenditures</b>	6,958,734	7,171,700	7,408,145	(236,445)
<b>Excess (Deficiency) of Revenues   Over (Under) Expenditures</b>	121,794	257,422	87,765	(169,657)
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases	-	-	145,887	145,887
Sale of general capital assets	-	9,900	9,900	-
Insurance recoveries	-	-	5,015	5,015
Transfers in/(out)				
Beach and Swim Club Fund	8,288	8,288	8,288	-
Events and tourism	-	-	(223,448)	(223,448)
Utility Fund	40,000	-	-	-
<b>Total Other Financing Sources (Uses)</b>	48,288	18,188	(54,358)	(72,546)
<b>Net Change in Fund Balance</b>	170,082	275,610	33,407	(242,203)
<b>Fund Balance, beginning</b>	2,454,980	2,454,980	2,454,980	-
<b>Fund Balance, ending</b>	\$ 2,625,062	\$ 2,730,590	\$ 2,488,387	\$ (242,203)

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET SCHEDULE  
SEPTEMBER 30, 2015

	<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	\$ 7,805	\$ 11,657	\$ 63,373	\$ 312,091	\$ 123,252	\$ 928,966	\$ 1,447,144
Accounts receivable	-	-	332	5,861	15,250	-	21,443
Inventory	-	-	-	54,716	-	-	54,716
Prepaid expenses	-	-	880	11,425	-	2,400	14,705
Due from other funds	-	-	-	-	1,503	-	1,503
<b>Total Assets</b>	<u>\$ 7,805</u>	<u>\$ 11,657</u>	<u>\$ 64,585</u>	<u>\$ 384,093</u>	<u>\$ 140,005</u>	<u>\$ 931,366</u>	<u>\$ 1,539,511</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ 3,564	\$ 79,340	\$ -	\$ 979	\$ 83,883
Accrued expenses	-	-	1,814	24,144	-	449	26,407
Unearned revenue	-	-	-	65,194	-	-	65,194
Due to other funds	-	-	9,537	-	-	15,074	24,611
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>14,915</u>	<u>168,678</u>	<u>-</u>	<u>16,502</u>	<u>200,095</u>
<b>Fund Balances</b>							
Nonspendable	-	-	880	66,141	-	-	67,021
Restricted	7,805	-	-	-	140,005	914,864	1,062,674
Committed	-	11,657	48,790	-	-	-	60,447
Unassigned	-	-	-	149,274	-	-	149,274
<b>Total Fund Balances</b>	<u>7,805</u>	<u>11,657</u>	<u>49,670</u>	<u>215,415</u>	<u>140,005</u>	<u>914,864</u>	<u>1,339,416</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,805</u>	<u>\$ 11,657</u>	<u>\$ 64,585</u>	<u>\$ 384,093</u>	<u>\$ 140,005</u>	<u>\$ 931,366</u>	<u>\$ 1,539,511</u>

CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2015

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
<b>Revenues</b>							
Hospitality tax	\$ -	\$ -	\$ -	\$ -	\$ 164,993	\$ -	\$ 164,993
Event fees	-	-	-	-	-	7,641	7,641
Memberships	-	-	166,139	-	-	-	166,139
Golf	-	-	-	1,371,944	-	27,713	1,399,657
Pool and tennis	-	-	-	11,499	-	-	11,499
Club rentals	-	-	4,500	-	-	-	4,500
Guest passes	-	-	441	-	-	-	441
Swim team	-	-	24,620	-	-	-	24,620
Drug seizures	-	11,472	-	-	-	-	11,472
Interest	-	-	17	16	-	92	125
Other	-	-	3,709	-	-	-	3,709
<b>Total Revenues</b>	<u>-</u>	<u>11,472</u>	<u>199,426</u>	<u>1,383,459</u>	<u>164,993</u>	<u>35,446</u>	<u>1,794,796</u>
<b>Expenditures</b>							
Salaries	-	-	43,526	-	-	-	43,526
Employee benefits	-	-	16,671	-	-	-	16,671
Pool management	-	-	53,800	-	-	-	53,800
Sanitation	-	-	764	-	-	-	764
Supplies	-	-	8	-	-	-	8
Advertising	-	-	578	-	-	-	578
Other	-	-	10,978	-	-	-	10,978
Cell phone	-	-	773	-	-	-	773
Utilities	-	-	20,394	-	-	-	20,394
Permits	-	-	225	-	-	-	225
Equipment repairs and maintenance	-	5,346	12,590	-	23,234	-	41,170
Building and grounds maintenance	-	-	4,045	-	-	-	4,045
Swim team	-	-	21,173	-	-	-	21,173
Professional insurance	-	-	2,842	-	-	-	2,842
Golf club management	-	-	-	1,130,696	-	-	1,130,696
Community Events	-	-	-	-	14,500	120,650	135,150
Capital outlay	-	-	17,125	21,461	23,140	-	61,726
Debt service							
Principal	-	-	-	131,608	-	-	131,608
Interest	-	-	-	5,662	-	-	5,662
<b>Total Expenditures</b>	<u>-</u>	<u>5,346</u>	<u>205,492</u>	<u>1,289,427</u>	<u>60,874</u>	<u>120,650</u>	<u>1,681,789</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>6,126</u>	<u>(6,066)</u>	<u>94,032</u>	<u>104,119</u>	<u>(85,204)</u>	<u>113,007</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in/(out)							
Special revenue fund	-	-	-	-	(446,700)	446,700	-
General fund	-	-	(8,288)	-	-	223,448	215,160
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(8,288)</u>	<u>-</u>	<u>(446,700)</u>	<u>670,148</u>	<u>215,160</u>
<b>Net Change in Fund Balances</b>	-	6,126	(14,354)	94,032	(342,581)	584,944	328,167
<b>Fund Balances, beginning</b>	7,805	5,531	64,024	121,383	482,586	329,920	1,011,249
<b>Fund Balances, ending</b>	<u>\$ 7,805</u>	<u>\$ 11,657</u>	<u>\$ 49,670</u>	<u>\$ 215,415</u>	<u>\$ 140,005</u>	<u>\$ 914,864</u>	<u>\$ 1,339,416</u>

**CITY OF TEGA CAY  
SPECIAL REVENUE FUNDS - GOLF CLUB  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Golf	\$ 1,170,102	\$ 1,371,944	\$ 201,842
Pool and tennis	9,133	11,499	2,366
Interest	-	16	16
<b>Total Revenues</b>	<u>1,179,235</u>	<u>1,383,459</u>	<u>204,224</u>
<b>Expenditures</b>			
Golf	300,820	316,126	(15,306)
Pool and tennis	7,800	7,868	(68)
Licensed department	105,337	96,020	9,317
Golf course maintenance	494,151	514,373	(20,222)
Property operations	55,499	71,483	(15,984)
Sales and marketing	10,740	8,689	2,051
General and administrative	10,025	116,137	(106,112)
Capital outlay	-	21,461	(21,461)
Debt service			
Principal	130,621	131,608	(987)
Interest	987	5,662	(4,675)
<b>Total Expenditures</b>	<u>1,115,980</u>	<u>1,289,427</u>	<u>(173,447)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>63,255</u>	<u>94,032</u>	<u>30,777</u>
<b>Net Change in Fund Balances</b>	63,255	94,032	30,777
<b>Fund Balances, beginning</b>	<u>121,383</u>	<u>121,383</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 184,638</u>	<u>\$ 215,415</u>	<u>\$ 30,777</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 1* - The Utility Fund 1 accounts for the revenues and expenses relating to providing water and sewer to the residents of Tega Cay.

*Utility Fund 2* - The Utility Fund 2 accounts for the revenues and expenses relating to providing water and sewer to the residents of Tega Cay. Utility Fund 2 is not shown in the supplementary information.

*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, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Tap fees	\$ 27,500	\$ 480,402	\$ 452,902
Irrigation taps	11,000	24,050	13,050
Water fees	731,376	957,818	226,442
Sewer fees	584,843	662,347	77,504
Water activation fees	12,000	3,350	(8,650)
Reconnect fees	2,000	1,950	(50)
Penalties	-	1,856	1,856
Miscellaneous	5,000	5,232	232
<b>Total Operating Revenues</b>	<u>1,373,719</u>	<u>2,137,005</u>	<u>763,286</u>
<b>Operating Expenses</b>			
Salaries	232,052	209,968	22,084
Overtime	5,000	17,459	(12,459)
Employee benefits	71,574	70,109	1,465
Legal fees	5,000	8,398	(3,398)
Water purchased	249,970	290,568	(40,598)
Sewer treatment fees	245,362	279,246	(33,884)
Sewer clean-out	12,000	4,970	7,030
Water testing	3,000	1,073	1,927
Professional services	7,500	25,639	(18,139)
Meters and supplies	70,000	137,732	(67,732)
Administration expense	11,050	10,293	757
Training and education	2,500	1,224	1,276
Auto expense	6,000	7,230	(1,230)
Cell phone	1,565	2,216	(651)
Miscellaneous	-	1,224	(1,224)
Depreciation	-	487,777	(487,777)
Utilities	47,310	51,374	(4,064)
Office supplies	-	348	(348)
Lift station maintenance	30,000	31,038	(1,038)
Billing	12,000	15,865	(3,865)
Vehicle maintenance	4,000	1,894	2,106
Capital outlay - non-depreciable	45,131	-	45,131
Contingency	100,000	-	100,000
Software maintenance	8,400	8,523	(123)
Insurance	3,500	3,434	66
Dues and subscriptions	500	1,150	(650)
Bad debt expense	-	318	(318)
SDW act	9,283	9,234	49
<b>Total Operating Expenses</b>	<u>1,182,697</u>	<u>1,678,304</u>	<u>(495,607)</u>
<b>Operating Income</b>	<u>191,022</u>	<u>458,701</u>	<u>267,679</u>

(continued)

**CITY OF TEGA CAY  
UTILITY FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	\$ 50	\$ 30	\$ (20)
Interest expense and fiscal charges	-	(81,635)	(81,635)
Forgiveness of debt	-	160,775	160,775
	<u>50</u>	<u>79,170</u>	<u>79,120</u>
<b>Total Nonoperating Revenues (Expenses)</b>			
	191,072	537,871	346,799
<b>Income Before Transfers</b>			
	191,072	537,871	346,799
<b>Transfers in/(out)</b>			
General Fund	(40,000)	-	40,000
	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>
<b>Change in Net Position</b>	151,072	537,871	386,799
	<u>151,072</u>	<u>537,871</u>	<u>386,799</u>
<b>Net Position, beginning</b>	4,956,972	4,956,972	-
	<u>4,956,972</u>	<u>4,956,972</u>	<u>-</u>
<b>Prior Period Adjustment</b>	-	(351,899)	(351,899)
	<u>-</u>	<u>(351,899)</u>	<u>(351,899)</u>
<b>Net Position, beginning - as restated</b>	4,956,972	4,605,073	(351,899)
	<u>4,956,972</u>	<u>4,605,073</u>	<u>(351,899)</u>
<b>Net Position, ending</b>	\$ 5,108,044	\$ 5,142,944	\$ 34,900
	<u>\$ 5,108,044</u>	<u>\$ 5,142,944</u>	<u>\$ 34,900</u>

**CITY OF TEGA CAY  
UTILITY FUND II  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Tap fees	\$ -	\$ 7,250	\$ 7,250
Water fees	857,725	805,374	(52,351)
Sewer fees	1,136,413	1,092,570	(43,843)
Water activation fees	-	2,250	2,250
Reconnect fees	-	50	50
Penalties	-	1,850	1,850
Miscellaneous	33,996	810	(33,186)
<b>Total Operating Revenues</b>	<u>2,028,134</u>	<u>1,910,154</u>	<u>(117,980)</u>
<b>Operating Expenses</b>			
Salaries	199,700	233,883	(34,183)
Overtime	7,500	30,554	(23,054)
Employee benefits	92,720	101,514	(8,794)
Legal fees	7,500	8,621	(1,121)
Water purchased	237,381	245,186	(7,805)
Treatment Plant maintenance	48,152	148,334	(100,182)
Sewer clean-out	68,369	48,919	19,450
Water testing	6,000	11,318	(5,318)
Professional services	15,000	48,788	(33,788)
Meters and supplies	52,000	34,146	17,854
Administration expense	12,210	7,982	4,228
Training and education	1,500	1,423	77
Auto expense	7,000	8,999	(1,999)
Cell phone	1,000	3,110	(2,110)
Depreciation	-	175,947	(175,947)
Utilities	63,624	77,539	(13,915)
Office supplies	-	598	(598)
Lift station maintenance	30,000	44,337	(14,337)
Sludge hauling	42,000	146,269	(104,269)
Vehicle maintenance	2,000	1,693	307
Capital outlay - non-depreciable	45,000	32,504	12,496
Contingency	725,036	-	725,036
Software maintenance	7,500	13,354	(5,854)
Insurance	6,200	6,083	117
Water tower maintenance	10,000	49	9,951
Billing	13,000	14,891	(1,891)
Miscellaneous	1,500	2,807	(1,307)
Equalization tank	-	182,270	(182,270)
Meter reading	12,000	12,116	(116)
Chemicals	42,155	49,823	(7,668)
SDW act	10,000	11,968	(1,968)
<b>Total Operating Expenses</b>	<u>1,766,047</u>	<u>1,705,025</u>	<u>61,022</u>
<b>Operating Income</b>	<u>262,087</u>	<u>205,129</u>	<u>(56,958)</u>

(continued)

**CITY OF TEGA CAY**  
**UTILITY FUND II**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	\$ -	\$ 11	\$ 11
Interest expense and fiscal charges	-	(202,988)	(202,988)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>(202,977)</u>	<u>(202,977)</u>
<b>Income before transfers</b>	<u>262,087</u>	<u>2,152</u>	<u>(259,935)</u>
<b>Net Position, beginning</b>	(234,745)	(234,745)	-
<b>Prior Period Adjustment</b>	<u>-</u>	<u>(375,359)</u>	<u>(375,359)</u>
<b>Net Position, beginning - as restated</b>	<u>(234,745)</u>	<u>(610,104)</u>	<u>(375,359)</u>
<b>Net Position, ending</b>	<u>\$ 27,342</u>	<u>\$ (607,952)</u>	<u>\$ (635,294)</u>

**CITY OF TEGA CAY  
STORMWATER FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Operating Revenues</b>			
Stormwater compliance fees	\$ 397,242	\$ 395,179	\$ (2,063)
Other	-	370	370
<b>Total Operating Revenues</b>	<u>397,242</u>	<u>395,549</u>	<u>(1,693)</u>
<b>Operating Expenses</b>			
Salaries	120,612	101,943	18,669
Employee benefits	35,546	33,054	2,492
Professional services	15,000	25,584	(10,584)
Contracted services	-	12,493	(12,493)
Permits	2,000	2,000	-
Supplies	500	-	500
Miscellaneous	-	1,213	(1,213)
Training and education	500	-	500
Vehicle maintenance	18,000	15,986	2,014
Insurance	3,000	2,943	57
Auto expense	26,000	20,171	5,829
Drainage maintenance materials	91,756	127,632	(35,876)
Dues and subscriptions	350	-	350
Software maintenance	3,200	-	3,200
Vehicle lease	58,626	-	58,626
Depreciation	-	37,616	(37,616)
<b>Total Operating Expenses</b>	<u>375,090</u>	<u>380,635</u>	<u>(5,545)</u>
<b>Operating Income</b>	<u>22,152</u>	<u>14,914</u>	<u>(7,238)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense and fiscal charges	(22,152)	(4,074)	18,078
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(22,152)</u>	<u>(4,074)</u>	<u>18,078</u>
<b>Change in Net Position</b>	<u>-</u>	<u>10,840</u>	<u>10,840</u>
<b>Net Position, beginning</b>	211,958	211,958	-
<b>Prior Period Adjustment</b>	<u>-</u>	<u>(201,755)</u>	<u>(201,755)</u>
<b>Net Position, beginning - as restated</b>	<u>211,958</u>	<u>10,203</u>	<u>(201,755)</u>
<b>Net Position, ending</b>	<u>\$ 211,958</u>	<u>\$ 21,043</u>	<u>\$ (190,915)</u>

**CITY OF TEGA CAY  
GENERAL FUND  
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
YEAR ENDED SEPTEMBER 30, 2015**

Assessments and Surcharges Retained by the City for Victims' Assistance	\$ 9,842
Assessments and Surcharges Remitted to the State Treasurer	41,001
Total Fines, Assessments, and Surcharges Collected	<u>\$ 50,843</u>

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

Court Assessments to the State Treasurer	\$ 19,899
Municipal Conditional Discharge	450
DUI Assessments to the State Treasurer	12
DUI Surcharges to the State Treasurer	100
DUI/DPS Pullouts to the State Treasurer	100
Law Enforcement Surcharges to State Treasurer	20,415
DUI/DUAC Test Conviction Fees	25
Total Court Revenue to the State Treasurer	<u>\$ 41,001</u>

**Victims Services**

Court Assessments Allocated to Victim Services	\$ 2,502
Court Surcharges Allocated to Victim Services	7,340
Funds Allocated to Victim Services	9,842
Victim Services Expenditures	<u>-</u>
Excess of Revenues Over Expenditures	9,842
Fund Balance, beginning	<u>21,704</u>
Fund Balance, ending	<u>\$ 31,546</u>