

**TOWN OF SUMMERVILLE,  
SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**The Honorable Mayor and Members  
of the Town Council  
Summerville, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Town of Summerville, South Carolina** (the "Town"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerville, South Carolina, as of December 31, 2017, and the respective changes in financial position 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 (on pages 5 through 10), the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (on pages 55 and 56), the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Accommodations and Hospitality Tax Fund (on page 57), the Schedule of Town's Proportionate Share of the Net Pension Liability (on page 58), and the Schedule of Town Contributions (on page 59) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summerville, South Carolina's basic financial statements. The Comparative Schedules of Revenues – General Fund (on page 60), the Comparative Schedules of Expenditures – General Fund (on page 61), the combining and individual nonmajor fund financial statements (on pages 62 - 65), and the Schedule of Assessed Property Values, Millage Rates and Taxes Levied (on page 66) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Summary Schedule of Court Fines, Assessments and Surcharges (on page 67) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

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The Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the combining and individual nonmajor fund financial statements, and the Schedule of Court Fines, Assessments and Surcharges 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 Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the combining and individual nonmajor fund financial statements, and the Summary Schedule of Court Fines, Assessments and Surcharges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Assessed Property Values, Millage Rates and Taxes Levied has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Town of Summerville, South Carolina's basic financial statements for the year ended December 31, 2016, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated May 5, 2017. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summerville, South Carolina's basic financial statements as a whole. The partial comparative information included in the Comparative Schedules of Revenues – General Fund and the Comparative Schedules of Expenditures – General Fund for the year ended December 31, 2016, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2016 partial comparative information included in the Comparative Schedules of Revenues – General Fund and the Comparative Schedules of Expenditures – General Fund is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

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**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, on our consideration of the Town of Summerville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Summerville, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
May 2, 2018

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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As management of the Town of Summerville, South Carolina (the Town), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Summerville for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements, and notes.

### **Financial Highlights**

The assets and deferred outflows of resources of the Town of Summerville exceeded its liabilities and deferred inflows of resources at December 31, 2017 by \$86,016,861. The unrestricted net position deficit was \$7,322,790 due to GASB's requirement to record a net pension liability of \$32,370,234. The total net position increased by \$1,387,182. The increase in net position was mainly due to increase collection of property taxes and business licenses.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$52,373,268. This is a decrease of \$773,406 in comparison with the prior year due primarily to costs for capital projects. Of the \$52,373,268, \$15,094,059 is available for spending (unassigned fund balance) on behalf of its citizens.

The unassigned fund balance for the general fund was \$15,103,373, compared to \$19,324,874 as of December 31, 2016.

### **Overview of the Financial Statements**

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

**Government-wide Financial Statements.** – The *government-wide financial statements* provide a broad overview of the Town of Summerville's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town of Summerville's financial position.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and all intergovernmental revenues (*governmental activities*). The governmental activities of the Town of Summerville include general government, public safety (police and fire), roads and drainage and recreation.

**Fund Financial Statements.** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Summerville can be classified as governmental funds.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Governmental Funds.** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. All of the Town's basic services are reported in the governmental funds financial statements, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town of Summerville's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to reconcile the two types of statements.

**Notes to the Financial Statements.** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Budgetary Comparison Schedules.** – The Town adopts an annual appropriated budget for its general fund and some of the nonmajor special revenue funds. The budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

**Other Information.** – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

**Government-wide Financial Analysis**

**Net Position.** –The table below shows current year Net Position as compared to 2016.

**Net Position of Primary Government  
December 31, 2017 and 2016**

	2017	2016	Percentage Change
Current other assets	<b>\$65,929,463</b>	\$66,479,555	-0.83%
Capital assets, net of depreciation	<b>92,025,100</b>	89,282,220	3.07%
Total Assets	<b>157,954,563</b>	155,761,775	1.41%
Deferred outflows	<b>6,496,929</b>	5,439,714	19.44%
Of resources	<b>6,496,929</b>	5,439,714	19.44%
Current and other liabilities	<b>3,054,265</b>	3,214,057	-4.97%
Long-term liabilities	<b>65,098,373</b>	63,392,528	2.69%
Total Liabilities	<b>68,152,638</b>	66,606,585	2.32%
Deferred inflows	<b>10,281,993</b>	9,965,225	3.18%
of resources	<b>10,281,993</b>	9,965,225	3.18%
Net Position:			
Invested in Capital Assets, net of related debt	<b>84,482,987</b>	80,478,919	4.98%
Restricted	<b>8,856,664</b>	9,627,479	-8.01%
Unrestricted	<b>(7,322,790)</b>	(5,476,719)	33.71%
Total Net Position	<b>\$86,016,861</b>	\$84,629,679	1.64%

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources of the Town of Summerville exceeded its liabilities and deferred inflows of resources by \$86,016,861 at the close of the most recent fiscal year.

At December 31, 2017, 98.2% of the Town's net position was invested in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in 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 resources, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Town's net position (10.3%) represents resources that are subject to external restrictions on how they may be used.

**Changes in Net Position of Primary Government  
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	<b>\$15,004,068</b>	\$14,550,452	3.12%
Operating grants and contributions	<b>615,607</b>	287,881	113.84%
Capital grants and contributions	<b>621,953</b>	305,762	103.41%
General revenues:			
Property taxes	<b>11,683,603</b>	11,293,371	3.46%
Franchise taxes	<b>3,804,254</b>	3,796,613	0.20%
Accommodations taxes	<b>4,312,501</b>	4,122,987	4.60%
Sales taxes	<b>1,383,436</b>	1,350,346	2.45%
Unrestricted Grants and Contributions	<b>991,111</b>	996,508	-0.54%
Unrestricted investment earnings	<b>270,398</b>	131,186	106.12%
Miscellaneous	<b>210,574</b>	107,059	96.69%
Total Revenues	<b><u>38,897,505</u></b>	<u>36,942,165</u>	
Program Expenses:			
General Government	<b>8,556,994</b>	8,123,969	5.33%
Public Safety	<b>18,507,819</b>	18,291,490	1.18%
Roads and Drainage	<b>6,565,035</b>	7,058,516	-6.99%
Recreation	<b>2,868,268</b>	2,754,165	4.14%
Interest and Fees	<b>1,012,207</b>	1,180,860	-14.28%
Total Expenses	<b><u>37,510,323</u></b>	<u>37,409,000</u>	
Increase/(Decrease) in Net Position	<b>1,387,182</b>	(466,835)	
Net position, beginning of year	<b><u>84,629,679</u></b>	<u>85,096,514</u>	
Net position, end of year	<b><u><u>\$86,016,861</u></u></b>	<u><u>\$84,629,679</u></u>	

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Governmental Activities.** – The Town's net position increased by \$1,387,182.

Charges for services were the Town's largest program revenue, accounting for \$15,004,068 or 38.57% of total governmental revenues. These charges are for fees related to judicial activity, licenses and permits, garbage fees, and stormwater fees.

Property tax revenues account for \$11,683,603 of the \$38,897,505 total revenues for governmental activities, or 30.04% of total revenues. Another component of general revenues was franchise fees which accounted for \$3,804,254 or 9.78% of total revenues.

The public safety program accounted for \$18,507,819 of the \$37,510,323 total expenses for governmental activities, or 49.34% of total expenses. The next largest program was general government, accounting for \$8,556,994 and representing 22.81% of total governmental expenses.

The following table for governmental activities indicates the total cost of services and the net cost of services (total costs less revenues generated by the activities). The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues:

<b>Governmental Activities</b>				
	<u><b>Total Cost of Services 2017</b></u>	<u>Total Cost of Services 2016</u>	<u><b>Net Cost of Services 2017</b></u>	<u>Net Cost of Services 2016</u>
General Government	\$ 8,556,994	\$ 8,123,969	\$ 1,860,186	\$ 2,465,412
Public Safety	18,507,819	18,291,490	(16,766,095)	(16,702,217)
Roads and Drainage	6,565,035	7,058,516	(2,848,541)	(4,434,641)
Recreation	2,868,268	2,754,165	(2,502,038)	(2,412,599)
Interest and Fiscal Charges	<u>1,012,207</u>	<u>1,180,860</u>	<u>(1,012,207)</u>	<u>(1,180,860)</u>
Total Governmental Activities	<u><b>\$ 37,510,323</b></u>	<u>\$ 37,409,000</u>	<u><b>\$ (21,268,695)</b></u>	<u>\$ (22,264,905)</u>

General revenues were \$22,655,877 and resulted in an increase to Net position of \$1,387,182.

**Financial Analysis of the Town of Summerville's Funds**

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

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

At December 31, 2017, the Town's governmental funds reported a combined ending fund balance of \$52,373,268, a decrease of \$733,406 in comparison with the prior year. Unassigned fund balance is \$15,094,059 as of December 31, 2017.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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Fund balance is categorized in five parts, Nonspendable, Restricted, Committed, Assigned and Unassigned. The total Nonspendable is \$158,046. Restricted is divided into five parts, Public Safety, Tourism, Capital projects, Street and Stormwater mitigation. The two largest restricted amounts are Tourism and Capital Projects with balances of \$13,207,165 and \$18,147,858, respectively.

The general fund is the primary operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$15,103,373, while the total fund balance was \$19,492,185. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.49% of total general fund expenditures, while total fund balance represents 65.16% of that same amount.

The fund balance of the Town's General Fund increased by \$25,351 due primarily to an increase in revenues.

### **Budgetary Highlights**

By state statute, the Town Council adopts the annual operating budget for the Town by the last day of December. The original and final budget for 2017 were \$30,732,830.

The Town's budget anticipated that expenditures would exceed revenues by \$4,506,810, the actual results from the year show a loss of \$1,968,001. Actual revenues received of \$27,947,514 were greater than anticipated revenues by \$1,721,494, due primarily to increases in licenses and permits. In addition, overall actual expenditures were under budget by \$817,315.

### **Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities at December 31, 2017, was \$92,025,100 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, machinery and equipment, vehicles, and infrastructure.

Some of the major capital asset events during the current fiscal year included the following:

- Street Department, 3 Dump Trucks \$271,031
- Fire Department, Pumper Truck \$454,090
- Purchase of \$874,393 in police vehicles
- Park and Recreation, equipment \$160,619 and park improvements \$97,283

Additional information on the Town's capital assets can be found in Note 5.

**Long-Term Debt.** At December 31, 2017, the Town had \$62,526,842 in outstanding debt consisting of general obligation bond debt, limited obligation bond debt, capital leases, and net pension liability. The Town's Net pension liability increased by \$3,066,702 to \$32,370,324.

Additional information on the Town's long-term debt can be found in Note 6.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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**Economic Factors and Next Year's Budget**

The town of Summerville refunded the 2007 general obligation bond debt and maintained the credit rating for "AA+" and "Aa1" from Standard & Poor's and Moody's Investors Service, respectively.

**Economic Factors and Next Year's Budget**

Summerville's residential and commercial growth continued in 2017 with 181 new home permits for a total construction cost of \$45,594,222. Also, in 2017, the Town issued 8 commercial permits for a total cost of construction of \$17,773,879. Residential and commercial construction permits totaled \$764,706, with construction costs for all permits totaling \$158,598,173. Unemployment rates continue to remain low with Dorchester County having an unemployment rate of 3.7% in December 2017.

The General Fund millage rate for 2018 is 60.5 mills, representing a small decrease from prior year rate of 61.0 mills. The 2018 budget for property taxes is \$11,490,171 and represents a 2% increase from prior year. The total General Fund budget for 2018 increased by 9.8% to \$33,866,349. The budget includes a projected decrease to fund balance of \$4,239,772.

Following the adoption of the 2014 Vision Plan, the Town contracted with Stantec to rewrite the Town's zoning and development codes. That process is still ongoing with the expected final draft to be submitted to the Town Council in July of 2018.

The new interchange at mile marker 197 is nearing completion and is scheduled to fully open in May 2018. This new access point into Town via Interstate 26 will provide an opportunity for the Town to construct a new roadway to connect the interchange with N. Maple St. and points further south into the Town limits towards Central Avenue. Right-of-way acquisition for that project will begin in 2018.

For the portion of the Nexton development that is in the Town's jurisdiction, the developer continues efforts to recruit national businesses with two hotels scheduled to break ground in 2018. Palmetto Primary Care, a large medical provider in the region, will be completing construction in 2018 in the Nexton development with a 100,000 square foot medical office and urgent care facility.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Summerville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Summerville Finance Department, 200 S. Main Street, Summerville, South Carolina 29483.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 52,633,942
Taxes receivable, net of allowance	3,999,369
Accounts receivable, net of allowances	1,067,453
Intergovernmental receivable	8,070,653
Inventories	158,046
Capital assets:	
Non-depreciable	13,127,483
Depreciable, net of accumulated depreciation	78,897,617
Total assets	157,954,563
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	198,310
Pension	6,298,619
Total deferred outflows of resources	6,496,929
<b>LIABILITIES</b>	
Accounts payable	1,610,643
Accrued liabilities	1,163,640
Unearned revenues	22,910
Intergovernmental payable	257,072
Long-term liabilities:	
Due within one year	1,945,468
Due in more than one year	30,782,671
Net pension liability	32,370,234
Total liabilities	68,152,638
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes billed or received in advance	10,274,238
Pension	7,755
Total deferred inflows of resources	10,281,993
<b>NET POSITION</b>	
Net investment in capital assets	84,482,987
Restricted for:	
Public safety	404,297
Tourism	5,787,749
Capital projects	1,713,564
Stormwater mitigation	951,054
Unrestricted	(7,322,790)
Total net position	\$ 86,016,861

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
General government:					
Administrative	\$ 3,062,939	\$ 9,168,607	\$ 53,048	\$ 116,548	\$ 6,275,264
Planning and annexation	1,054,349	1,078,977	-	-	24,628
Engineering	493,527	-	-	-	(493,527)
Municipal court	472,131	-	-	-	(472,131)
Maintenance	846,345	-	-	-	(846,345)
Public buildings and grounds	2,591,375	-	-	-	(2,591,375)
Housing and development	36,328	-	-	-	(36,328)
Public safety:					
Police	9,129,639	880,562	312,476	16,500	(7,920,101)
Fire	7,875,127	88,679	50,587	5,000	(7,730,861)
Communications	1,503,053	387,920	-	-	(1,115,133)
Roads and drainage:					
Street	5,351,848	1,918,636	111,526	483,905	(2,837,781)
Stormwater	1,213,187	1,114,457	87,970	-	(10,760)
Culture and recreation	2,868,268	366,230	-	-	(2,502,038)
Interest on long-term debt	1,012,207	-	-	-	(1,012,207)
Total governmental activities	<u>\$ 37,510,323</u>	<u>\$ 15,004,068</u>	<u>\$ 615,607</u>	<u>\$ 621,953</u>	<u>\$ (21,268,695)</u>
General revenues:					
Property taxes					11,683,603
Franchise taxes					3,804,254
Accommodations and hospitality taxes					4,312,501
Sales taxes					1,383,436
Grants and contributions not restricted to specific programs					991,111
Unrestricted investment earnings					270,398
Miscellaneous revenues					210,574
Total general revenues					<u>22,655,877</u>
Change in net position					1,387,182
Net position, beginning of year					84,629,679
Net position, end of year					<u>\$ 86,016,861</u>

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

<b>ASSETS</b>	<b>Local</b>			<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Accommodations and Hospitality Tax Fund</b>	<b>Infrastructure Fund</b>		
Cash and investments	\$ 20,150,092	\$ 12,360,771	\$ 16,391,480	\$ 3,731,599	\$ 52,633,942
Taxes receivable, net of allowance	3,999,369	-	-	-	3,999,369
Accounts receivable, net of allowances	136,047	384,121	84,952	462,333	1,067,453
Intergovernmental receivable	6,506,197	3,091	-	1,561,365	8,070,653
Due from other funds	1,520,486	-	-	1,200	1,521,686
Inventories	149,040	-	-	9,006	158,046
Total assets	<u>\$ 32,461,231</u>	<u>\$ 12,747,983</u>	<u>\$ 16,476,432</u>	<u>\$ 5,765,503</u>	<u>\$ 67,451,149</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,109,417	\$ 33,630	\$ 91,134	\$ 376,462	\$ 1,610,643
Accrued liabilities	815,280	3,426	-	54,857	873,563
Intergovernmental payable	257,072	-	-	-	257,072
Unearned revenues	22,910	-	-	-	22,910
Due to other funds	-	-	-	1,521,686	1,521,686
Total liabilities	<u>2,204,679</u>	<u>37,056</u>	<u>91,134</u>	<u>1,953,005</u>	<u>4,285,874</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	10,274,238	-	-	-	10,274,238
Unavailable revenue - intergovernmental	490,129	-	-	27,640	517,769
Total deferred inflows of resources	<u>10,764,367</u>	<u>-</u>	<u>-</u>	<u>27,640</u>	<u>10,792,007</u>
<b>FUND BALANCES</b>					
Nonspendable	149,040	-	-	9,006	158,046
Restricted for:					
Public safety	-	-	-	404,297	404,297
Tourism	-	12,710,927	-	496,238	13,207,165
Capital projects	-	-	16,385,298	1,762,560	18,147,858
Street	-	-	-	46,785	46,785
Stormwater mitigation	-	-	-	951,054	951,054
Committed for:					
Recreation	-	-	-	124,232	124,232
Assigned for:					
Subsequent year's budget	4,239,772	-	-	-	4,239,772
Unassigned	15,103,373	-	-	(9,314)	15,094,059
Total fund balances	<u>19,492,185</u>	<u>12,710,927</u>	<u>16,385,298</u>	<u>3,784,858</u>	<u>52,373,268</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,461,231</u>	<u>\$ 12,747,983</u>	<u>\$ 16,476,432</u>	<u>\$ 5,765,503</u>	<u>\$ 67,451,149</u>

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Fund balances, end of year	\$	52,373,268
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		92,025,100
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. These amounts are:		
State aid to subdivisions	\$	490,129
State E911 surcharges		27,640
		517,769
Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.		6,298,619
Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are therefore, not reported in the funds.		(7,755)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	\$	(7,025,000)
Limited obligation bonds payable		(22,790,000)
Issuance premiums		(1,239,215)
Deferred charge on refunding		198,310
Capital lease obligations		(341,608)
Net pension liability		(32,370,234)
Compensated absences		(1,332,316)
Accrued interest payable		(290,077)
		(65,190,140)
	<b>\$</b>	<b>86,016,861</b>

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 11,683,603	\$ -	\$ -	\$ -	\$ 11,683,603
Licenses, permits, and franchise taxes	12,209,821	3,859,624	1,681,151	462,390	18,212,986
Intergovernmental revenue:					
Local revenue	480,000	-	-	-	480,000
State revenue	2,405,582	-	483,905	684,670	3,574,157
Federal revenue	118,438	-	-	575,925	694,363
Charges for services:					
Sanitation	-	-	-	1,758,361	1,758,361
Stormwater	16,360	-	-	1,098,097	1,114,457
Recreation	228,170	-	-	-	228,170
Other	28,784	-	-	17,736	46,520
Fines and forfeitures	296,477	-	-	47,283	343,760
Investment income	114,593	74,601	59,893	21,311	270,398
Miscellaneous	365,686	36,458	-	17,433	419,577
<b>Total revenues</b>	<u>27,947,514</u>	<u>3,970,683</u>	<u>2,224,949</u>	<u>4,683,206</u>	<u>38,826,352</u>
<b>Expenditures:</b>					
Current:					
General government:					
Administrative	2,073,877	468,073	-	282,709	2,824,659
Planning and annexation	1,018,806	-	-	-	1,018,806
Engineering	439,738	-	-	-	439,738
Municipal court	427,215	-	-	-	427,215
Maintenance	688,236	-	-	-	688,236
Public buildings and grounds	1,753,457	-	-	-	1,753,457
Housing and development	-	-	-	36,328	36,328
Public safety:					
Police	7,293,413	-	-	495,351	7,788,764
Fire	6,909,050	-	-	48,418	6,957,468
Communications	978,359	-	-	251,373	1,229,732
Roads and drainage:					
Street	1,901,467	-	1,380	1,579,773	3,482,620
Stormwater	-	-	-	1,060,972	1,060,972
Culture and recreation	2,346,416	-	-	2,928	2,349,344
Capital outlay	3,397,666	569,328	2,836,059	396,829	7,199,882
Debt service:					
Principal retirement	507,885	295,000	550,000	-	1,352,885
Interest	179,930	299,913	649,175	-	1,129,018
<b>Total expenditures</b>	<u>29,915,515</u>	<u>1,632,314</u>	<u>4,036,614</u>	<u>4,154,681</u>	<u>39,739,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,968,001)</u>	<u>2,338,369</u>	<u>(1,811,665)</u>	<u>528,525</u>	<u>(912,772)</u>
<b>Other financing sources (uses):</b>					
Transfers in	2,004,698	-	-	132,584	2,137,282
Transfers out	(132,584)	(1,958,124)	-	(46,574)	(2,137,282)
Proceeds from sale of capital assets	121,238	-	-	18,128	139,366
<b>Total other financing sources (uses)</b>	<u>1,993,352</u>	<u>(1,958,124)</u>	<u>-</u>	<u>104,138</u>	<u>139,366</u>
<b>Net change in fund balances</b>	<u>25,351</u>	<u>380,245</u>	<u>(1,811,665)</u>	<u>632,663</u>	<u>(773,406)</u>
<b>Fund balances, beginning of year</b>	<u>19,466,834</u>	<u>12,330,682</u>	<u>18,196,963</u>	<u>3,152,195</u>	<u>53,146,674</u>
<b>Fund balances, end of year</b>	<u>\$ 19,492,185</u>	<u>\$ 12,710,927</u>	<u>\$ 16,385,298</u>	<u>\$ 3,784,858</u>	<u>\$ 52,373,268</u>

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(773,406)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$	7,211,918	
Depreciation expense		<u>(4,420,409)</u>	
			2,791,509

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Donated capital assets	\$	21,500	
Net book value of capital assets sold or disposed		<u>(70,129)</u>	
			(48,629)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

State aid to subdivisions	\$	22,013	
State E911 surcharges		<u>27,640</u>	
			49,653

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:

Principal retirement of long-term debt	\$	<u>1,352,885</u>	
			1,352,885

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$	(116,510)	
Net pension liability		(1,985,131)	
Amortization of bond premiums		124,482	
Amortization of deferred charge on refunding		(18,212)	
Accrued interest		<u>10,541</u>	
			<u>(1,984,830)</u>
			<u>\$ 1,387,182</u>

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2017**

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	<b>ASSETS</b>	<u>Agency Fund</u>
Cash		\$ 160,414
Total assets		<u>\$ 160,414</u>
	<b>LIABILITIES</b>	
Assets held for others		\$ 160,414
Total liabilities		<u>\$ 160,414</u>

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

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Summerville, South Carolina (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

#### A. Reporting Entity

The Town of Summerville, South Carolina operates under a charter originally granted by the State of South Carolina on December 17, 1847. The government is a municipal corporation governed by an elected Mayor and six-member council. The Town provides the following services: general government (administrative services, planning and annexation, engineering, municipal court, maintenance, and public buildings and grounds), public safety (police, fire, and communications), roads and drainage (street and stormwater), and recreation.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Town of Summerville (the primary government) and its component unit. The blended component unit discussed below is included in the Town's reporting entity because of the significant influence and financial relationship with the Town.

The **Summerville Redevelopment Corporation** (the "Corporation") was created and organized in accordance with Title 31, Chapter 10 of the South Carolina Code of Laws. The Corporation is governed by members of the Town Council. In addition, a financial burden exists to the Town as the Town has assumed the obligation of providing financial support to the Corporation. Separate financial statements for the Corporation are not prepared.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Town does not have any proprietary funds.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period; this period is extended to 180 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales, accommodations, and hospitality taxes are recorded when the underlying transaction is made. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Local Accommodations and Hospitality Tax Fund** is a special revenue fund used to account for the taxes collected in the tourist related businesses, including restaurants and hotels. The expenditures of these taxes must be related to or for the promotion of tourism.

The **Infrastructure Fund** is a capital projects fund used to account for the acquisition or construction of major infrastructure projects.

Additionally, the Town reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

The **Fiduciary Fund** is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The **Agency Fund** is custodial in nature and does not involve the measurement of results of operations.

#### D. Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Local Accommodations and Hospitality Tax Fund. All annual appropriations lapse at fiscal year-end. The Town Administrator submits to Town Council a balanced, proposed annual budget by November 1 of each year. Town Council must approve and adopt a final budget no later than December 31. The appropriated budget is prepared by fund, function, and department.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets and Budgetary Accounting (Continued)

The Town Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of Council. The legal level of budgetary control is the function level. The legally adopted budgets for the General Fund and the Local Accommodations and Hospitality Tax Fund are presented as required supplementary information.

#### E. Cash and Investments

The Town maintains a cash pool in which all funds share. Each fund's portion of the pool is displayed on its respective balance sheet as cash and investments and also includes non-pooled cash and investments separately held. Funds which have an excess of outstanding checks over bank balance have these balances reclassified as a due to the General Fund for purposes of financial statement presentation. Interest is allocated to each fund monthly based on its average monthly balance.

For purposes of financial statement presentation, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash. Cash includes certain amounts in certificates of deposit and money market funds and are stated at cost which approximates fair value.

With the exception of non-participating investment contracts and debt securities, all investments, including the Town's investment in the South Carolina Local Government Investment Pool (the Pool), are carried at fair value. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Debt securities are reported at cost or amortized cost.

#### F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Taxes receivable are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2017 property tax assessment levied for the 2018 fiscal year, which is deferred in the General Fund. The current property tax receivable allowance is equal to 1% of the current property tax levy.

Accounts receivable in the General Fund are comprised of franchise taxes and reimbursements. Accounts receivable in the Special Revenue Funds are comprised of accommodations taxes, hospitality taxes, E911 fees, sanitation fees, and stormwater utility fees.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **G. Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year, as well as all other outstanding balances between funds, are reported as “due to/from other funds.”

#### **H. Inventories**

Inventories in governmental funds, which are accounted for using the consumption method, consist of consumable supplies and fuel and are stated at cost, using the first-in/first-out (FIFO) method. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of current assets.

#### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used to account for prepaid items in the Town’s funds.

#### **J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of an item, or add to the value of the asset or materially extend the assets’ lives beyond original estimates, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Capital Assets (Continued)

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

Buildings	40 years
Improvements	10 - 40 years
Infrastructure	15 - 50 years
Vehicles and rolling equipment	5 - 10 years
Furniture and equipment	5 - 10 years

#### K. Compensated Absences

The Town allows employees to accumulate unused sick leave with no limit. Employees are not reimbursed for accumulated sick leave for any reason other than retirement. An employee retiring after January 1, 2011 with 15 years of continuous service, as described by the South Carolina Retirement System, will receive payment for up to one-third of unused sick leave not to exceed the equivalent of 45 pay days. Employees are allowed to accumulate up to the equivalent of six weeks of accrued vacation. Upon termination, accumulated vacation will be paid to the employee. All vacation and compensatory pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources and represent matured liabilities, for example, as a result of employee resignations and retirements.

#### L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time of debt issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town has six items that qualify for reporting in this category, five of which relate to the Town's Retirement Plan and are combined in the Statement of Net Position under the heading "Pension." The first item, experience losses, results from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability over a five-year period. The fourth item, changes in actuarial assumptions, are reported as deferred outflows of resources and are amortized into pension expense over the remaining service lives of all plan participants. The fifth item, pension contributions made subsequent to the plan measurement date, includes any contributions made by the Town to the pension plan before year-end but subsequent to the measurement date of the Town's net pension liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended December 31, 2018. The sixth and final item that qualifies for reporting in this category, deferred charge on refunding, is reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

In addition to liabilities, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. The first item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from state aid to subdivisions and E911 surcharges and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, *unavailable revenue*, arises under both the accrual and modified accrual basis of accounting and is reported in the Statement of Net Position and the governmental funds balance sheet.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflows/Inflows of Resources (Continued)

The Statement of Net Position and the governmental funds report unearned and unavailable revenue, respectively from property taxes and these amounts are deferred and will be recognized as revenue in the period in which the amounts are earned (accrual) and become available (modified accrual). The third item is experience gains relating to the Town's Retirement Plan and is recorded in the Statement of Net Position under the heading "Pension." Experience gains result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members.

#### N. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or passage of an ordinance. Only the Town Council may modify or rescind the commitment.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The Town Council has not delegated such authority as of December 31, 2017.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Fund Equity (Continued)

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

The Town Council's Finance Committee established a minimum fund balance policy for the General Fund. The policy requires the aggregate unrestricted fund balance (i.e., committed, assigned, and unassigned) at year-end to be at least 20% of the prior year General Fund expenditures.

In addition, the Finance Committee approved the establishment of a stabilization arrangement providing for disaster and recovery in the amount of \$3,000,000 and capital improvements in the amount of \$500,000.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Officer's Retirement System (PORS) and additions to/deductions from SCRS and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### NOTE 2. LEGAL COMPLIANCE - BUDGETS

#### Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital project funds. At December 31, 2017, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in the governmental fund balances are as follows:

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Nonmajor Governmental Funds
Restricted for:				
Capital Projects	\$ -	\$ -	\$ -	\$ 780,412
Tourism	-	429,487	-	769
Public Safety	-	-	-	78,142
Infrastructure	-	-	1,896,340	-
Stormwater Mitigation	-	-	-	365,491
Unassigned	1,120,538	-	-	-

The excess of encumbrances over restricted fund balance in the nonmajor governmental funds will be funded by future revenues and/or transfers from other funds.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. LEGAL COMPLIANCE - BUDGETS (CONTINUED)

#### Excess of Expenditures over Appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations as follows:

Fund/Department	Excess
<b>General Fund</b>	
General government - public buildings and grounds	\$ 38,227
Capital outlay	759,741

The over expenditures in the General Fund were funded by greater than anticipated revenues and under expenditures in other departments.

#### Deficit Fund Balance

The Summerville Redevelopment Corporation Fund reported a deficit fund balance of \$9,314 as of December 31, 2017. This deficit will be eliminated through future revenues.

### NOTE 3. CASH AND INVESTMENTS

Total deposits and investments as of December 31, 2017, are summarized as follows:

Statement of Net Position:

Cash	\$ 14,714,668
Investments	37,919,274
Total cash and investments	52,633,942

Statement of Fiduciary Net Position:

Cash	160,414
	\$ 52,794,356

Cash and investments deposited with financial institutions	\$ 46,447,208
South Carolina Local Government Investment Pool	6,347,148
	\$ 52,794,356

At December 31, 2017, the Town's pooled cash and investments included demand deposits and local government pools. The local government pool is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Under State law, the Town is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

**Custodial Credit Risk – Deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2017, all of the Town's deposits were covered by federal depository insurance or by collateral held in the pledging financial institutions' trust department in the Town's name.

**Investments:** As of December 31, 2017, the Town had the following cash and investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Credit Rating</u>
Federal National Mortgage Association	\$ 1,494,450	2.83%	Aaa/AA+
Federal Home Loan Mortgage Corporation	806,025	1.53%	Aaa/AA+
Federal Home Loan Bank	25,207,997	47.75%	Aaa/AA+
South Carolina Government Investment Pool	6,347,148	12.02%	N/A
Certificates of Deposit	4,063,654	7.70%	N/A
Total investments	<u>37,919,274</u>		
Cash	14,875,082	28.18%	N/A
Total cash and investments	<u>\$ 52,794,356</u>		

**Fair Value Measurements:** The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Fair Value Measurements (Continued):** The Town has the following recurring fair value measurements as of December 31, 2017:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Agencies	\$ 2,300,475	\$ 25,207,997	\$ -	\$ 27,508,472
Total investments measured at fair value	<u>\$ 2,300,475</u>	<u>\$ 25,207,997</u>	<u>\$ -</u>	27,508,472
Investments not subject to level disclosure:				
Certificates of deposit				4,063,654
South Carolina Local Government Investment Pool (LGIP)				6,347,148
Total investments				<u>\$ 37,919,274</u>

The Town's investment in U.S. Agencies classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. U.S. Agencies classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no investments classified in Level 3 of the fair value hierarchy.

The South Carolina Local Government Investment Pool (LGIP) is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Town does not disclose investment in the LGIP within the fair value hierarchy.

**Credit Risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policy allows for investments in the South Carolina Local Government Investment Pool ("LGIP"). As of December 31, 2017, the underlying security ratings of the Town's investment in the LGIP may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211. Additionally, the Town may invest in obligations of the United States, obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, Bank of Cooperatives, Federal Intermediate Credit Bank, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Housing Administration, and Farmer's Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise issued by at least two nationally recognized credit organizations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy states that no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution.

### NOTE 4. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 of the current year. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty in accordance with the dates set for payment of Dorchester, Berkeley, and Charleston County taxes (by January 15 of the following year). Penalty dates and rates are the same as that established by Dorchester, Berkeley, and Charleston County Councils (January 16 – 3%, February 2 - an additional 7% , and March 16 - an additional 5%). If taxes are not paid by March 15, they are turned over to the delinquent tax office for collection. Dorchester, Berkeley, and Charleston counties bill and collect current and delinquent property taxes under contractual agreements with the Town. Town tax revenues are recognized in the period for which they are levied; therefore, revenue recognition is deferred. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license is up for renewal and are, therefore, recognized when cash is received by the Town. The taxpayer must provide proof of payment to the Highway Department before the vehicle license will be renewed.

The Town has imposed upon all improved property in the town limits a sanitation collection fee, to be billed annually by the County Auditor on the property tax bill and collected by the County Treasurer in the same manner as provided for property taxes. Revenue is recognized when fees are received during the current calendar year or within 60 days subsequent to year-end.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES (CONTINUED)

The Town has a stormwater utility fee billed monthly by the Summerville Commissioners of Public Works (CPW) on each customer's water bill and collected by CPW in the same manner as provided for monthly water billings. Revenue is recognized when fees are billed by CPW.

Receivables at December 31, 2017 for the Town's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Local Accommodations and Hospitality Tax Fund</b>	<b>Infrastructure Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Receivables:					
Taxes	\$ 4,305,248	\$ -	\$ -	\$ -	\$ 4,305,248
Accounts	136,047	384,121	84,952	465,999	1,071,119
Intergovernmental	6,506,197	3,091	-	1,561,365	8,070,653
Total receivables	<u>10,947,492</u>	<u>387,212</u>	<u>84,952</u>	<u>2,027,364</u>	<u>13,447,020</u>
Less allowance for uncollectible	(305,879)	-	-	(3,666)	(309,545)
Net total receivables	<u><u>\$ 10,641,613</u></u>	<u><u>\$ 387,212</u></u>	<u><u>\$ 84,952</u></u>	<u><u>\$ 2,023,698</u></u>	<u><u>\$ 13,137,475</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,829,134	\$ 97,283	\$ -	\$ -	\$ 4,926,417
Construction in progress	5,225,052	4,417,846	-	(1,441,832)	8,201,066
Total	<u>10,054,186</u>	<u>4,515,129</u>	<u>-</u>	<u>(1,441,832)</u>	<u>13,127,483</u>
Capital assets, being depreciated:					
Buildings	26,718,025	-	-	-	26,718,025
Improvements	7,313,735	30,852	-	-	7,344,587
Infrastructure	78,460,697	69,250	-	1,441,832	79,971,779
Vehicles and rolling equipment	15,473,427	1,904,317	(570,876)	-	16,806,868
Furniture and equipment	5,597,261	713,870	(71,233)	-	6,239,898
Total	<u>133,563,145</u>	<u>2,718,289</u>	<u>(642,109)</u>	<u>1,441,832</u>	<u>137,081,157</u>
Less accumulated depreciation for:					
Buildings	(9,744,636)	(902,515)	-	-	(10,647,151)
Improvements	(3,680,126)	(376,960)	-	-	(4,057,086)
Infrastructure	(26,198,400)	(1,592,877)	-	-	(27,791,277)
Vehicles and rolling equipment	(12,629,892)	(1,526,112)	507,747	-	(13,648,257)
Furniture and equipment	(2,082,057)	(21,945)	64,233	-	(2,039,769)
Total	<u>(54,335,111)</u>	<u>(4,420,409)</u>	<u>571,980</u>	<u>-</u>	<u>(58,183,540)</u>
Total capital assets, being depreciated, net	<u>79,228,034</u>	<u>(1,702,120)</u>	<u>(70,129)</u>	<u>1,441,832</u>	<u>78,897,617</u>
Governmental activities capital assets, net	<u>\$ 89,282,220</u>	<u>\$ 2,813,009</u>	<u>\$ (70,129)</u>	<u>\$ -</u>	<u>\$ 92,025,100</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. CAPITAL ASSETS (CONTINUED)

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

**Governmental activities:**

Administrative	\$ 56,921
Planning and annexation	9,950
Engineering	10,517
Municipal court	12,206
Maintenance	94,937
Public buildings and grounds	807,153
Police	625,230
Fire	377,403
Communications	186,014
Street	1,758,384
Stormwater	126,188
Recreation	355,506
Total depreciation expense - governmental activities	<u>\$ 4,420,409</u>

### NOTE 6. LONG-TERM DEBT

The Town has the following forms of long-term indebtedness:

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the General Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Limited Obligation Bonds – The Town issues limited obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the Local Accommodations and Hospitality Tax Fund and the Infrastructure Fund. Limited obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Net Pension Liability – This obligation represents the Town's allocated portion of their long-term obligation for pension benefits. This obligation is primarily funded by the General Fund.

Capital Lease Obligations – The Town uses leases to finance the purchase of various equipment. Leases are paid from the General Fund.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the Town for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 7,295,000	\$ -	\$ (270,000)	\$ 7,025,000	\$ 275,000
Plus deferred amounts for issuance premiums	176,470	-	(14,843)	161,627	-
General obligation bonds payable, net	<u>7,471,470</u>	<u>-</u>	<u>(284,843)</u>	<u>7,186,627</u>	<u>275,000</u>
Limited obligation bonds payable	23,635,000	-	(845,000)	22,790,000	870,000
Plus deferred amounts for issuance premiums	1,187,227	-	(109,639)	1,077,588	-
Limited obligation bonds payable, net	<u>24,822,227</u>	<u>-</u>	<u>(954,639)</u>	<u>23,867,588</u>	<u>870,000</u>
Net pension liability	29,303,532	7,126,110	(4,059,408)	32,370,234	-
Capital lease obligations	579,493	-	(237,885)	341,608	111,973
Compensated absences payable	<u>1,215,806</u>	<u>988,464</u>	<u>(871,954)</u>	<u>1,332,316</u>	<u>688,495</u>
Total long-term liabilities	<u>\$ 63,392,528</u>	<u>\$ 8,114,574</u>	<u>\$ (6,408,729)</u>	<u>\$ 65,098,373</u>	<u>\$ 1,945,468</u>

#### General Obligation Bonds

The Town issued \$7,295,000 of Series 2016 general obligation refunding bonds during 2016. The bonds bear interest rates of 2.00% to 3.00% payable semiannually on March 1 and September 1 each year commencing on September 1, 2016. Principal payments are payable on March 1 of each year through maturity on March 1, 2037. The Series 2016 bonds were issued for the purpose of refunding the Town's Series 2007 general obligation bonds and to pay the costs of issuance of the 2016 bonds. The 2016 bond issuance resulted in an original issue premium of \$188,093. The refunding transaction resulted in the Series 2007 bonds being in-substance defeased by placing a portion of the proceeds of the Town's Series 2016 general obligation bonds into an irrevocable trust account to provide for all future debt service payments on the Series 2007 bonds. Accordingly, the trust account assets and the liability for the Series 2007 bonds are not included in the Town's financial statements. Additionally, the reacquisition price exceeded the net carrying amount of the 2007 bonds by \$230,783. This amount is recognized on the government-wide Statement of Net Position as a deferred outflow of resources and amortized over the remaining life of the 2016 bonds. The Town advance refunded the 2007 bonds to reduce its total debt service payments by \$1,122,282, which resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$908,438. At December 31, 2017, \$6,785,000 of defeased 2007 bonds remain outstanding.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### General Obligation Bonds (Continued)

The annual requirements for debt service on general obligation bonds outstanding at December 31, 2017 are summarized as follows:

Year ending December 31,	Principal	Interest	Total
2018	\$ 275,000	\$ 162,255	\$ 437,255
2019	285,000	153,855	438,855
2020	290,000	146,680	436,680
2021	295,000	140,830	435,830
2022	305,000	134,830	439,830
2023 - 2027	1,625,000	579,250	2,204,250
2028 - 2032	1,820,000	404,315	2,224,315
2033 - 2037	2,130,000	159,875	2,289,875
Plus deferred amounts for issuance premium	161,627	-	161,627
Total	\$ 7,186,627	\$ 1,881,890	\$ 9,068,517

#### Limited Obligation Bonds

The Town issued \$16,115,000 of Series 2015A (Franchise Fee Pledge) limited obligation bonds during 2015. The bonds bear interest rates of 2.00% to 5.00% and mature October 1, 2035.

The Town issued \$8,370,000 of Series 2015B (Hospitality Fee Pledge) limited obligation bonds during 2015. The bonds bear interest rates of 2.00% to 5.00% and mature October 1, 2035.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Limited Obligation Bonds (Continued)

The annual requirements for debt service on limited obligation bonds outstanding at December 31, 2017, are summarized as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 870,000	\$ 923,738	\$ 1,793,738
2019	900,000	891,988	1,791,988
2020	940,000	855,987	1,795,987
2021	985,000	808,988	1,793,988
2022	1,025,000	769,588	1,794,588
2023 - 2027	5,905,000	3,060,138	8,965,138
2028 - 2032	7,170,000	1,796,500	8,966,500
2033 - 2035	4,995,000	389,819	5,384,819
	<u>1,077,588</u>	<u>-</u>	<u>1,077,588</u>
Plus deferred amounts for issuance premium	1,077,588	-	1,077,588
Total	<u>\$ 23,867,588</u>	<u>\$ 9,496,746</u>	<u>\$ 33,364,334</u>

#### Capital Lease Obligations

The Town entered into an equipment lease with a regional bank during 2013 for communications equipment. Payments are to be made annually at 1.48% for a term of five years.

The Town entered into an equipment lease in the amount of \$434,614 with a regional bank during 2014 for a pumper truck. Payments are to be made annually at 1.76% for a term of seven years.

The Town entered into an equipment lease with a regional bank during 2015 for public works equipment. Payments are to be made annually at 1.59% for a term of five years.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Capital Lease Obligations (Continued)

The future minimum lease obligations as of December 31, 2017, were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 117,726
2019	117,726
2020	<u>117,726</u>
Total minimum lease payments	353,178
Less: Amounts representing interest	<u>(11,570)</u>
Present value of future minimum lease payments	<u><u>\$ 341,608</u></u>

The carrying value of the assets acquired through capital leases as of December 31, 2017, were as follows:

Equipment	\$ 1,328,866
Less: Accumulated depreciation	<u>(646,929)</u>
	<u><u>\$ 681,937</u></u>

The Town reported depreciation expense for the year ended December 31, 2017, on assets acquired through capital leases in the amount of \$175,460.

### NOTE 7. OPERATING LEASES

The Town participates in certain leases accounted for as operating leases. The Town is obligated under lease agreements with various parties for the rental of office equipment. Rental expense associated with the leases for the year ended December 31, 2017, is \$104,350. Payments are funded from the Town's General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. OPERATING LEASES (CONTINUED)

Future minimum lease payments required for the remaining terms under the non-cancelable operating leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 95,792
2019	95,202
2020	77,731
2021	14,948
2022	<u>13,603</u>
Total	<u>\$ 297,276</u>

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 1,520,486
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,200
		<u>\$ 1,521,686</u>

All interfund balances resulted 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.

The composition of interfund transfers for the year ended December 31, 2017, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Local Accommodations and Hospitality Tax Fund	\$ 1,958,124
General Fund	Nonmajor Governmental Funds	46,574
Nonmajor Governmental Funds	General Fund	132,584
		<u>\$ 2,137,282</u>

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

#### **Risk Management**

The Town is exposed to various risks of losses related to torts including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the South Carolina Municipal Insurance and Risk Financing Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to the Municipal Insurance and Risk Financing Fund for its general insurance. The South Carolina Municipal Insurance and Risk Financing Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The Town did not have any significant reductions in insurance coverage from prior years, and there were no settlements which exceeded insurance coverage for any of the past three years.

#### **Contingent Liabilities**

**Grants.** Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Litigation.** The Town is party to various legal proceedings which normally occur in governmental operations. In the opinion of the Town management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the Town's financial position.

**Unemployment Compensation.** The Town makes payments to the South Carolina Department of Employment and Workforce on a reimbursement basis for costs incurred in the administration of the state unemployment compensation statutes. Claims incurred but not reported at December 31, 2017 are not significant.

**Construction Commitments.** At December 31, 2017, the Town had construction commitments related to various capital projects for approximately \$2,025,921.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS

#### Retirement Plan

##### Plan Description

###### *Overview*

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the systems and serves as a co-trustee of the systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement System’s Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits’ link on PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

###### *Plan Description*

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *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 described below.

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

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

##### *Benefits*

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

**South Carolina Retirement System** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Benefits (Continued)*

An incidental death benefit is also available to beneficiaries of active or retired members of employees who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**South Carolina Police Officers Retirement System** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

##### *Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of 1% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; and, this increase is not limited to one-half of 1% per year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Contributions (Continued)*

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

If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 90%, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90%.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.26% for SCRS and 16.24% for PORS, effective July 1, 2017. It also removes the 2.9% and 5% differential and increases and establishes a ceiling on employee contribution rates at 9% and 9.75% for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for SCRS and 21.24% for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20-year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from 90 to 85.

Required employee contribution rates for the year ended December 31, 2017 are as follows:

##### **South Carolina Retirement System**

8.66% of earnable compensation from July 1st through December 31st

9.00% of earnable compensation from July 1st through December 31st

##### **South Carolina Police Officers Retirement System**

9.24% of earnable compensation from July 1st through December 31st

9.75% of earnable compensation from July 1st through December 31st

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Contributions (Continued)*

Required employer contribution rates for the year ended December 31, 2017, are as follows:

**South Carolina Retirement System**

11.41% of earnable compensation from July 1st through December 31st

13.41% of earnable compensation from July 1st through December 31st

Employer incidental death benefit: 0.15% of earnable compensation

**South Carolina Police Officers Retirement System**

13.84% of earnable compensation from July 1st through December 31st

15.84% of earnable compensation from July 1st through December 31st

Employer incidental death benefit: 0.20% of earnable compensation

Employer accidental death program: 0.20% of earnable compensation

*Net Pension Liability*

The most recent annual actuarial valuation reports adopted by the PEBA Board and SFAA are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the systems' consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability 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. As of June 30, 2017, the net pension liability amounts for SCRS and PORS are as follows:

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Liability</b>	<b>Employers' Net Pension Liability</b>	<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>
SCRS	\$ 29,983,435	\$ 15,992,696	\$ 13,990,739	53.3%
PORS	\$ 47,054,103	\$ 28,674,608	\$ 18,379,495	60.9%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Net Pension Liability (Continued)*

As of June 30, 2017, the change in the net pension liability for the SCRS Plan is calculated as follows:

<b>Total pension liability</b>	
Service cost	\$ 499,713
Interest	2,062,136
Difference between actual and expected experience	33,923
Assumption changes	1,085,525
Benefit payments	<u>(1,886,296)</u>
<b>Net change in total pension liability</b>	<u>1,795,001</u>
<b>Total pension liability - beginning of year</b>	<u>28,188,434</u>
<b>Total pension liability - end of year</b>	<u>29,983,435</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	726,427
Contributions - member	513,688
Refunds of contributions to members	(65,362)
Retirement benefits	(1,806,841)
Death benefits	(14,094)
Net investment income	1,734,712
Administrative expense	(8,370)
Net transfers to affiliated systems	<u>(963)</u>
<b>Net change in Plan fiduciary net position</b>	<u>1,079,197</u>
<b>Plan fiduciary net position - beginning of year</b>	<u>14,913,499</u>
<b>Plan fiduciary net position - end of year</b>	<u>15,992,696</u>
<b>Net pension liability</b>	<u><u>\$ 13,990,739</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Net Pension Liability (Continued)*

As of June 30, 2017, the change in the net pension liability for the PORS Plan is calculated as follows:

<b>Total pension liability</b>	
Service cost	\$ 1,118,254
Interest	3,173,704
Difference between actual and expected experience	33,838
Assumption changes	2,235,337
Benefit payments	<u>(2,527,921)</u>
<b>Net change in total pension liability</b>	4,033,212
<b>Total pension liability - beginning of year</b>	<u>43,020,891</u>
<b>Total pension liability - end of year</b>	<u>47,054,103</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	1,288,148
Contributions - member	857,668
Refunds of contributions to members	(133,934)
Retirement benefits	(2,368,147)
Death benefits	(25,840)
Net investment income	3,058,624
Administrative expense	(14,418)
Net transfers to affiliated systems	<u>8,571</u>
<b>Net change in Plan fiduciary net position</b>	2,670,672
<b>Plan fiduciary net position - beginning of year</b>	<u>26,003,936</u>
<b>Plan fiduciary net position - end of year</b>	<u>28,674,608</u>
<b>Net pension liability</b>	<u><u>\$ 18,379,495</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *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. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020 annual valuation is complete.

The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10. EMPLOYEE BENEFITS (CONTINUED)**

**Retirement Plan (Continued)**

*Actuarial Assumptions and Methods (Continued)*

These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the July 1, 2016 valuations for SCRS and PORS are as follows:

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

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

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year of the Systems. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Actuarial Assumptions and Methods (Continued)*

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45.0%</b>		
Global public equity	31.0%	6.72%	2.08%
Private equity	9.0%	9.60%	0.86%
Equity options securities	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real estate (private)	5.0%	4.32%	0.22%
Real estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunities</b>	<b>17.0%</b>		
GTAA/Risk parity	10.0%	4.16%	0.42%
Hedge funds (non-PA)	4.0%	3.82%	0.15%
Other opportunistic strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed credit	6.0%	3.92%	0.24%
Emerging markets debt	5.0%	5.01%	0.25%
Private debt	7.0%	4.37%	0.31%
<b>Alternatives</b>	<b>13.0%</b>		
Core fixed income	10.0%	1.60%	0.16%
Cash and short duration (net)	3.0%	0.92%	0.01%
	100.0%		
		Total expected real return	5.31%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.56%</u>

#### *Discount Rate*

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Discount Rate (Continued)*

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
SCRS	\$ 18,032,141	\$ 13,990,739	\$ 11,538,558
PORS	\$ 24,815,740	\$ 18,379,495	\$ 13,309,652

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*

For the year ended December 31, 2017, the Town recognized pension expense of \$1,664,599 for the SCRS plan and \$2,522,510 for the PORS plan. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 62,373	\$ 7,755
Changes of assumptions	819,008	-
Net difference between projected and actual earnings on pension plan investments	390,556	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	578,675	-
Employer contributions subsequent to the measurement date	438,878	-
<b>Total</b>	<b>\$ 2,289,490</b>	<b>\$ 7,755</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

<b>PORS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 163,892	\$ -
Changes of assumptions	1,744,383	-
Net difference between projected and actual earnings on pension plan investments	654,937	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	719,158	-
Employer contributions subsequent to the measurement date	<u>726,759</u>	<u>-</u>
Total	<u><u>\$ 4,009,129</u></u>	<u><u>\$ -</u></u>

Town contributions subsequent to the measurement date of \$438,878 and \$726,759 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31</u>	<u>SCRS</u>	<u>PORS</u>
2018	\$ 629,106	\$ 1,005,315
2019	799,600	1,289,017
2020	514,524	883,035
2021	(100,373)	105,003

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *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.

#### Deferred Compensation Plan

The Town offers a deferred compensation plan (the Plan) to all its employees under a plan administered by the International City/County Management Association Retirement Corporation. The Plan was established in accordance with Internal Revenue Code Section 457. There are no required employer contributions to the Plan. The Plan permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries and are not subject to claims of the employer's general creditors.

#### Defined Contribution Plan

The Town also offers its employees participation in a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k). All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Post-employment Benefits Other Than Pensions

In prior years the Town sponsored a single-employer defined benefit healthcare plan (the Plan) that provided medical and dental insurance for retirees. Employees became eligible when they qualified for the SCRS or PORS and had 12 years of service with the Town. The Plan was approved each year by Town Council, and the contribution requirements of the Town and Plan members were established and amended by Council. These contributions were neither guaranteed nor mandatory. The Council retained the right to unilaterally modify its payments toward retiree healthcare benefits. During 2011, the Council exercised that right. The plan was curtailed at the end of 2011, continuing coverage for those individuals who had retired, or announced their retirement date, prior to December 31, 2011, but providing no coverage to any employees retiring after that date.

As a result, there remains no requirement to recognize other post-employment benefit (OPEB) cost or annual required contribution for current employees, and no covered payroll for the year. The six remaining participants will be eligible to receive a fixed amount per month, determined by management, until reaching the age of 65. Management calculated the cost to cover the obligation to the remaining participants by multiplying this fixed amount by the number of months to the attainment of age 65 for each participant, a period ranging from 1 to 12 years. Management did not reduce the calculation for the present value of a series of future payments, deeming such adjustment to be immaterial. Management estimates the liability for post-employment costs to be \$211,134, which is fully funded in an irrevocable trust administered by the South Carolina Other Retirement Benefits Employer Trust, and is therefore not reported as a liability.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 11,295,460	\$ 11,295,460	\$ 11,683,603	\$ 388,143
Licenses, permits, and franchise taxes	11,105,716	11,105,716	12,209,821	1,104,105
Intergovernmental revenue:				
Local revenue	480,000	480,000	480,000	-
State revenue	2,216,317	2,216,317	2,405,582	189,265
Federal revenue	10,000	10,000	118,438	108,438
Charges for services:				
Stormwater	34,425	34,425	16,360	(18,065)
Recreation	211,800	211,800	228,170	16,370
Other	60,000	60,000	28,784	(31,216)
Fines and forfeitures	380,000	380,000	296,477	(83,523)
Investment income	100,000	100,000	114,593	14,593
Miscellaneous	332,302	332,302	365,686	33,384
Total revenues	<u>26,226,020</u>	<u>26,226,020</u>	<u>27,947,514</u>	<u>1,721,494</u>
<b>Expenditures:</b>				
Current:				
General government:				
Administrative	2,315,860	2,290,990	2,073,877	217,113
Planning and annexation	1,211,320	1,211,320	1,018,806	192,514
Engineering	449,080	449,080	439,738	9,342
Municipal court	437,546	437,546	427,215	10,331
Maintenance	716,637	716,637	688,236	28,401
Public buildings and grounds	977,230	1,715,230	1,753,457	(38,227)
Total general government	<u>6,107,673</u>	<u>6,820,803</u>	<u>6,401,329</u>	<u>419,474</u>
Public safety:				
Police	7,743,683	7,690,683	7,293,413	397,270
Fire	7,283,890	7,283,890	6,909,050	374,840
Communications	1,100,833	1,100,833	978,359	122,474
Total public safety	<u>16,128,406</u>	<u>16,075,406</u>	<u>15,180,822</u>	<u>894,584</u>
Roads and drainage:				
Street	2,760,264	2,022,264	1,901,467	120,797
Total roads and drainage	<u>2,760,264</u>	<u>2,022,264</u>	<u>1,901,467</u>	<u>120,797</u>
Culture and recreation:				
Recreation	2,512,360	2,488,616	2,346,416	142,200
Total culture and recreation	<u>2,512,360</u>	<u>2,488,616</u>	<u>2,346,416</u>	<u>142,200</u>
Capital outlay	2,536,311	2,637,925	3,397,666	(759,741)
Debt service:				
Principal	507,886	507,886	507,885	1
Interest	179,930	179,930	179,930	-
Total debt service	<u>687,816</u>	<u>687,816</u>	<u>687,815</u>	<u>1</u>
Total expenditures	<u>30,732,830</u>	<u>30,732,830</u>	<u>29,915,515</u>	<u>817,315</u>
Deficiency of revenues under expenditures	<u>(4,506,810)</u>	<u>(4,506,810)</u>	<u>(1,968,001)</u>	<u>2,538,809</u>

(Continued)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources (uses):</b>				
Transfers in	\$ 1,993,124	\$ 1,993,124	\$ 2,004,698	\$ 11,574
Transfers out	(113,858)	(113,858)	(132,584)	(18,726)
Proceeds from sale of capital assets	65,000	65,000	121,238	56,238
Total other financing sources, net	<u>1,944,266</u>	<u>1,944,266</u>	<u>1,993,352</u>	<u>49,086</u>
Net change in fund balances	<u>(2,562,544)</u>	<u>(2,562,544)</u>	<u>25,351</u>	<u>2,587,895</u>
<b>Fund balances, beginning of year</b>	<u>19,466,834</u>	<u>19,466,834</u>	<u>19,466,834</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 16,904,290</u>	<u>\$ 16,904,290</u>	<u>\$ 19,492,185</u>	<u>\$ 2,587,895</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**LOCAL ACCOMMODATIONS AND HOSPITALITY TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits, and franchise taxes	\$ 3,798,337	\$ 3,798,337	\$ 3,859,624	\$ 61,287
Investment income	24,348	24,348	74,601	50,253
Miscellaneous	-	-	36,458	36,458
Total revenues	<u>3,822,685</u>	<u>3,822,685</u>	<u>3,970,683</u>	<u>147,998</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Administrative	486,945	486,945	468,073	18,872
Total general government	<u>486,945</u>	<u>486,945</u>	<u>468,073</u>	<u>18,872</u>
Capital Outlay	<u>686,531</u>	<u>686,531</u>	<u>569,328</u>	<u>117,203</u>
Debt Service:				
Principal retirement	300,000	300,000	295,000	5,000
Interest	300,000	300,000	299,913	87
Total debt service	<u>600,000</u>	<u>600,000</u>	<u>594,913</u>	<u>5,087</u>
Total expenditures	<u>1,773,476</u>	<u>1,773,476</u>	<u>1,632,314</u>	<u>141,162</u>
Excess of revenues over expenditures	<u>2,049,209</u>	<u>2,049,209</u>	<u>2,338,369</u>	<u>289,160</u>
<b>Other financing uses</b>				
Transfers out	<u>(2,049,209)</u>	<u>(2,049,209)</u>	<u>(1,958,124)</u>	<u>91,085</u>
Total other financing uses	<u>(2,049,209)</u>	<u>(2,049,209)</u>	<u>(1,958,124)</u>	<u>91,085</u>
Net change in fund balances	-	-	380,245	380,245
<b>Fund balances, beginning of year</b>	<u>12,330,682</u>	<u>12,330,682</u>	<u>12,330,682</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 12,330,682</u>	<u>\$ 12,330,682</u>	<u>\$ 12,710,927</u>	<u>\$ 380,245</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEARS ENDED DECEMBER 31,**

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**South Carolina Retirement System**

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Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.062149%	\$ 13,990,739	\$ 6,270,642	223.1%	53.3%
2016	0.059917%	\$ 12,798,184	\$ 5,802,173	220.6%	52.9%
2015	0.057815%	\$ 10,964,894	\$ 5,420,593	202.3%	57.0%

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**South Carolina Police Officers Retirement System**

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Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.67089%	\$ 18,379,495	\$ 8,995,367	204.3%	60.9%
2016	0.65072%	\$ 16,505,348	\$ 8,295,812	199.0%	60.4%
2015	0.62700%	\$ 13,665,551	\$ 7,767,718	175.9%	64.6%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN CONTRIBUTIONS  
FOR THE YEARS ENDED DECEMBER 31,**

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**South Carolina Retirement System**

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Year Ended December 31,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2017	\$ 803,302	\$ 803,302	\$ -	\$ 6,389,021	12.57%
2016	\$ 687,410	\$ 687,410	\$ -	\$ 6,102,830	11.26%
2015	\$ 590,873	\$ 590,873	\$ -	\$ 5,600,652	10.55%

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**South Carolina Police Officers Retirement System**

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Year Ended December 31,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2017	\$ 1,267,493	\$ 1,267,493	\$ -	\$ 8,995,719	14.09%
2016	\$ 1,201,796	\$ 1,201,796	\$ -	\$ 8,841,249	13.59%
2015	\$ 1,041,651	\$ 1,041,651	\$ -	\$ 7,917,257	13.16%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**COMPARATIVE SCHEDULES OF REVENUES - GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Property taxes	\$ 11,683,603	\$ 11,293,371
Licenses, permits, and franchise taxes	12,209,821	11,623,823
Intergovernmental revenue:		
Local revenue	480,000	480,000
State revenue	2,405,582	2,345,177
Federal revenue	118,438	18,340
Charges for services:		
Stormwater	16,360	21,178
Recreation	228,170	200,502
Other	28,784	51,896
Fines and forfeitures	296,477	345,858
Investment income	114,593	84,899
Miscellaneous	365,686	244,307
Total revenues	<u>\$ 27,947,514</u>	<u>\$ 26,709,351</u>

## TOWN OF SUMMERVILLE, SOUTH CAROLINA

### COMPARATIVE SCHEDULES OF EXPENDITURES - GENERAL FUND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Expenditures:	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Personnel	Operating	Total	Personnel	Operating	Total
Current:						
General government:						
Administrative	\$ 1,517,965	\$ 555,912	\$ 2,073,877	\$ 1,353,914	\$ 408,916	\$ 1,762,830
Planning and annexation	880,845	137,961	1,018,806	894,462	162,519	1,056,981
Engineering	408,610	31,128	439,738	401,751	30,099	431,850
Municipal court	401,301	25,914	427,215	380,983	33,634	414,617
Maintenance	606,288	81,948	688,236	588,204	71,366	659,570
Public buildings and grounds	-	1,753,457	1,753,457	-	1,548,504	1,548,504
Public safety:						
Police	6,545,432	747,981	7,293,413	6,490,609	766,931	7,257,540
Fire	6,311,512	597,538	6,909,050	6,454,514	518,013	6,972,527
Communications	821,455	156,904	978,359	770,834	165,869	936,703
Roads and bridges:						
Street	1,570,571	330,896	1,901,467	1,545,936	1,062,313	2,608,249
Culture and recreation	1,824,448	521,968	2,346,416	1,730,679	556,815	2,287,494
Capital outlay	-	3,397,666	3,397,666	-	1,516,274	1,516,274
Debt service:						
Principal retirement	-	507,885	507,885	-	465,359	465,359
Interest	-	179,930	179,930	-	235,145	235,145
Issuance costs	-	-	-	-	171,499	171,499
<b>Total expenditures</b>	<b>\$ 20,888,427</b>	<b>\$ 9,027,088</b>	<b>\$ 29,915,515</b>	<b>\$ 20,611,886</b>	<b>\$ 7,713,256</b>	<b>\$ 28,325,142</b>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	Special Revenue Funds				
	Summerville Redevelopment Corporation	Federal Equitable Sharing Fund	State Drug Fund	Impact Fees Fund	State Accommodations Tax Fund
<b>ASSETS</b>					
Cash and investments	\$ 6,437	\$ 38,827	\$ 219,117	\$ 1,762,560	\$ 376,400
Accounts receivable, net of allowances	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	119,847
Inventory	-	-	-	-	-
Due from other funds	-	1,200	-	-	-
Total assets	\$ 6,437	\$ 40,027	\$ 219,117	\$ 1,762,560	\$ 496,247
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 135,668	\$ -	\$ 9
Accrued liabilities	-	-	-	-	-
Due to other funds	15,751	-	3,322	-	-
Total liabilities	15,751	-	138,990	-	9
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - intergovernmental	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	-	-	-	-
Restricted:					
Public safety	-	40,027	80,127	-	-
Tourism	-	-	-	-	496,238
Capital projects	-	-	-	1,762,560	-
Street	-	-	-	-	-
Stormwater mitigation	-	-	-	-	-
Committed:					
Recreation	-	-	-	-	-
Unassigned	(9,314)	-	-	-	-
Total fund balances (deficits)	(9,314)	40,027	80,127	1,762,560	496,238
Total liabilities, deferred inflows of resources and fund balances	\$ 6,437	\$ 40,027	\$ 219,117	\$ 1,762,560	\$ 496,247

(Continued)

<b>E911 Fund</b>	<b>Victims' Advocate Fund</b>	<b>Public Safety Grants Fund</b>	<b>CDBG Grant Fund</b>	<b>Farmers Market Fund</b>	<b>Stormwater Management Fund</b>	<b>Sanitation Fees Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 274,718	\$ 7,884	\$ -	\$ -	\$ 124,233	\$ 921,423	\$ -	\$ 3,731,599
13,741	-	-	-	-	86,974	361,618	462,333
27,640	-	176,248	57,221	-	-	1,180,409	1,561,365
-	-	-	-	-	9,006	-	9,006
-	-	-	-	-	-	-	1,200
<b>\$ 316,099</b>	<b>\$ 7,884</b>	<b>\$ 176,248</b>	<b>\$ 57,221</b>	<b>\$ 124,233</b>	<b>\$ 1,017,403</b>	<b>\$ 1,542,027</b>	<b>\$ 5,765,503</b>
\$ 13,379	\$ 2,106	\$ 44,694	\$ 17,233	\$ 1	\$ 31,152	\$ 132,220	\$ 376,462
-	5,778	21,888	-	-	27,191	-	54,857
-	-	100,603	38,988	-	-	1,363,022	1,521,686
<b>13,379</b>	<b>7,884</b>	<b>167,185</b>	<b>56,221</b>	<b>1</b>	<b>58,343</b>	<b>1,495,242</b>	<b>1,953,005</b>
27,640	-	-	-	-	-	-	27,640
27,640	-	-	-	-	-	-	27,640
-	-	-	-	-	9,006	-	9,006
275,080	-	9,063	-	-	-	-	404,297
-	-	-	-	-	-	-	496,238
-	-	-	-	-	-	-	1,762,560
-	-	-	-	-	-	46,785	46,785
-	-	-	1,000	-	950,054	-	951,054
-	-	-	-	124,232	-	-	124,232
-	-	-	-	-	-	-	(9,314)
<b>275,080</b>	<b>-</b>	<b>9,063</b>	<b>1,000</b>	<b>124,232</b>	<b>959,060</b>	<b>46,785</b>	<b>3,784,858</b>
<b>\$ 316,099</b>	<b>\$ 7,884</b>	<b>\$ 176,248</b>	<b>\$ 57,221</b>	<b>\$ 124,233</b>	<b>\$ 1,017,403</b>	<b>\$ 1,542,027</b>	<b>\$ 5,765,503</b>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Special Revenue Funds</b>				
	<b>Summerville Redevelopment Corporation</b>	<b>Federal Equitable Sharing Fund</b>	<b>State Drug Fund</b>	<b>Impact Fees Fund</b>	<b>State Accommodations Tax Fund</b>
<b>Revenues:</b>					
Licenses, permits, and franchise taxes	\$ -	\$ -	\$ -	\$ 313,818	\$ -
Intergovernmental revenue:					
State revenue	-	-	20,085	-	452,877
Federal revenue	-	8,344	-	-	-
Charges for services:					
Sanitation	-	-	-	-	-
Stormwater	-	-	-	-	-
Other	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	3	-	17,649	3,600
Miscellaneous	-	4,000	10,638	-	-
<b>Total revenues</b>	<b>-</b>	<b>12,347</b>	<b>30,723</b>	<b>331,467</b>	<b>456,477</b>
<b>Expenditures:</b>					
Current:					
General government:					
Administrative	-	-	-	-	282,709
Housing and development	5,732	-	-	-	-
Public safety:					
Police	-	9,596	66,410	-	-
Fire	-	-	-	-	-
Communications	-	-	-	-	-
Roads and drainage:					
Street	-	-	-	-	-
Stormwater	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	247,310	-
<b>Total expenditures</b>	<b>5,732</b>	<b>9,596</b>	<b>66,410</b>	<b>247,310</b>	<b>282,709</b>
Excess (deficiency) of revenues over (under) expenditures	(5,732)	2,751	(35,687)	84,157	173,768
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(46,574)
Proceeds from sale of capital assets	-	-	18,128	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>18,128</b>	<b>-</b>	<b>(46,574)</b>
<b>Net change in fund balances</b>	<b>(5,732)</b>	<b>2,751</b>	<b>(17,559)</b>	<b>84,157</b>	<b>127,194</b>
<b>Fund balances (deficits), beginning of year</b>	<b>(3,582)</b>	<b>37,276</b>	<b>97,686</b>	<b>1,678,403</b>	<b>369,044</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ (9,314)</b>	<b>\$ 40,027</b>	<b>\$ 80,127</b>	<b>\$ 1,762,560</b>	<b>\$ 496,238</b>

<u>E911 Fund</u>	<u>Victims' Advocate Fund</u>	<u>Public Safety Grants Fund</u>	<u>CDBG Grant Fund</u>	<u>Farmers Market Fund</u>	<u>Stormwater Management Fund</u>	<u>Sanitation Fees Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 148,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,390
211,708	-	-	-	-	-	-	684,670
-	-	363,063	116,548	-	87,970	-	575,925
-	-	-	-	-	-	1,758,361	1,758,361
-	-	-	-	-	1,098,097	-	1,098,097
-	-	-	-	17,736	-	-	17,736
-	47,283	-	-	-	-	-	47,283
-	-	-	-	59	-	-	21,311
-	-	2,795	-	-	-	-	17,433
<u>360,280</u>	<u>47,283</u>	<u>365,858</u>	<u>116,548</u>	<u>17,795</u>	<u>1,186,067</u>	<u>1,758,361</u>	<u>4,683,206</u>
-	-	-	-	-	-	-	282,709
-	-	-	30,596	-	-	-	36,328
-	74,105	345,240	-	-	-	-	495,351
-	-	48,418	-	-	-	-	48,418
251,373	-	-	-	-	-	-	251,373
-	-	-	-	-	-	1,579,773	1,579,773
-	-	-	-	-	1,060,972	-	1,060,972
-	-	-	-	2,928	-	-	2,928
-	-	63,566	85,953	-	-	-	396,829
<u>251,373</u>	<u>74,105</u>	<u>457,224</u>	<u>116,549</u>	<u>2,928</u>	<u>1,060,972</u>	<u>1,579,773</u>	<u>4,154,681</u>
<u>108,907</u>	<u>(26,822)</u>	<u>(91,366)</u>	<u>(1)</u>	<u>14,867</u>	<u>125,095</u>	<u>178,588</u>	<u>528,525</u>
-	45,835	86,749	-	-	-	-	132,584
-	-	-	-	-	-	-	(46,574)
-	-	-	-	-	-	-	18,128
<u>-</u>	<u>45,835</u>	<u>86,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,138</u>
108,907	19,013	(4,617)	(1)	14,867	125,095	178,588	632,663
<u>166,173</u>	<u>(19,013)</u>	<u>13,680</u>	<u>1,001</u>	<u>109,365</u>	<u>833,965</u>	<u>(131,803)</u>	<u>3,152,195</u>
<u>\$ 275,080</u>	<u>\$ -</u>	<u>\$ 9,063</u>	<u>\$ 1,000</u>	<u>\$ 124,232</u>	<u>\$ 959,060</u>	<u>\$ 46,785</u>	<u>\$ 3,784,858</u>

## TOWN OF SUMMERVILLE, SOUTH CAROLINA

### SCHEDULE OF ASSESSED PROPERTY VALUES, MILLAGE RATES AND TAXES LEVIED FOR THE TWENTY-FIVE YEAR PERIOD DECEMBER 31, 1992 THROUGH DECEMBER 31, 2017

Year	Assessed Property Values				Millage Rate		
	Real Estate	Personal Property	Vehicles	Total Property	Total Millage Rate	General Purposes	Debt Service Fund
1992	** \$ 34,924,800	\$ 6,411,370	* \$ -	\$ 41,336,170	73.0	66.0	7.0
1993	35,948,140	6,286,570	* 6,797,700	49,032,410	73.0	66.0	7.0
1994	37,504,840	7,225,160	7,969,180	52,699,180	73.0	66.0	7.0
1995	** 38,082,810	7,313,950	8,627,360	54,024,120	83.0	75.0	8.0
1996	*** 38,059,900	7,462,650	9,585,650	55,108,200	83.0	75.0	8.0
1997	39,548,633	7,833,160	10,480,528	57,862,321	83.0	83.0	-
1998	40,295,070	7,630,958	10,978,834	58,904,862	83.0	83.0	-
1999	41,443,010	7,623,280	11,062,410	60,128,700	80.0	80.0	-
2000	** 50,697,740	8,795,783	13,394,489	72,888,012	80.0	80.0	-
2001	51,895,380	9,841,160	14,389,919	76,126,459	80.0	80.0	-
2002	54,656,460	10,015,800	15,387,060	80,059,320	80.0	80.0	-
2003	60,199,180	10,050,025	15,094,210	85,343,415	80.0	80.0	-
2004	64,019,030	11,203,840	14,927,374	90,150,244	56.1	56.1	-
2005	** 98,931,020	11,741,020	15,438,520	126,110,560	56.1	56.1	-
2006	105,013,390	11,809,740	15,634,746	132,457,876	56.1	56.1	-
2007	107,703,367	11,790,460	16,710,730	136,204,557	67.5	63.7	3.8
2008	114,346,587	12,737,410	15,990,175	143,074,172	62.4	62.4	-
2009	145,628,791	11,814,395	15,122,935	172,566,121	62.4	62.4	-
2010	** 144,917,837	13,623,542	12,778,168	171,319,547	62.4	62.4	-
2011	144,791,127	13,102,224	14,825,335	172,718,686	62.4	62.4	-
2012	145,699,991	12,958,316	16,515,498	175,173,805	62.4	62.4	-
2013	147,709,863	12,370,338	17,562,378	177,642,579	62.4	62.4	-
2014	151,573,670	12,639,860	18,898,534	183,112,064	62.4	62.4	-
2015	157,175,040	12,671,110	21,722,539	191,568,689	61.9	61.9	-
2016	162,828,780	13,396,265	21,227,029	197,452,074	61.0	61.0	-
2017	169,225,520	14,343,420	20,468,860	204,037,800	60.5	60.5	-

\* Exclusive of vehicle taxes (1992).

\*\* Reassessment in accordance with Act 208 of South Carolina General Assembly.

\*\*\* Debt service millage includes both debt service and capital projects.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Collections</u>	<u>Fines Retained by Town for General Fund</u>	<u>Amount Remitted to State Treasurer</u>	<u>Amount Allocated to Victims' Services</u>
Fines	\$ 296,477	\$ (296,477)	\$ -	\$ -
Assessments and surcharges	443,062	-	(395,779)	47,283
Totals	\$ 739,539	\$ (296,477)	\$ (395,779)	\$ 47,283
Victims' Assistance				
Deficit for victims' assistance - beginning of year			\$	(19,013)
Amounts allocated for victims' assistance in 2017				
Assessments and surcharges				47,283
Transfers from other funds				45,835
Amounts spent for victims' assistance in 2017				
from assessments and surcharges				
Salaries and benefits				(71,616)
Operating expenditures				(2,489)
Balance for victims' assistance - end of year			\$	-

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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**The Honorable Mayor and Members  
of the Town Council  
Summerville, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerville, South Carolina (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 2, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
May 2, 2018

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

\_\_\_ Yes X No

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

**Federal Awards**

There was not an audit of major federal award programs as of December 31, 2017 due to the total amount expended being less than \$750,000.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV  
PRIOR YEAR FINDINGS AND RESPONSES**

None reported.