

**TOWN OF SUMMERVILLE,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOWN OF SUMMERVILLE, SOUTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, 2015, 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.

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, 2015, 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.

Emphasis of Matter

As discussed in Note 11, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. Our opinion is not modified with respect to this matter.

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 4 through 10), the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (on pages 50 and 51), the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Accommodations and Hospitality Tax Fund (on page 52), the Schedule of Town's Proportionate Share of the Net Pension Liability (on page 53), and the Schedule of Town Contributions (on page 54) 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 55), the Comparative Schedules of Expenditures – General Fund (on page 56), the combining and individual nonmajor fund financial statements (on pages 57 - 60), and the Schedule of Assessed Property Values, Millage Rates and Taxes Levied (on page 61) 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 62) 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.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the combining and individual nonmajor fund financial statements, the Schedule of Court Fines, Assessments and Surcharges, and the Schedule of Expenditures of Federal Awards 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, the Summary Schedule of Court Fines, Assessments and Surcharges, and the Schedule of Expenditures of Federal Awards 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.

The financial Statements of the Town of Summerville, South Carolina as of and for the year ended December 31, 2014 were audited by other auditors, whose report dated May 13, 2015 and who expressed an unmodified opinion on those financial statements. The partial comparative information related to the 2014 financial statements 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 2014 financial statements.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016, 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.

Macon, Georgia
May 5, 2016

Mauldin & Jenkins, LLC

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015 by \$85,096,514. The unrestricted portion of net position is a deficit of \$4,876,514 due to the implementation of GASB 68 which required a net pension liability of \$24,630,445 to be recognized. Total net position increased by \$1,407,381. The increase in net position was mainly due to an increase in property and franchise tax fees.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$53,659,950. This is an increase of \$27,891,084 in comparison with the prior year due primarily to the issuance of bonds for \$25,810,019. Of the \$53,659,950, \$18,397,516 is available for spending (unassigned fund balance) on behalf of its citizens.

At the end of the prior fiscal year, assigned and unassigned fund balance for the general fund was \$17,709,523. At the end of 2015, assigned and unassigned fund balance was \$19,172,688.

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, 2015**

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, Local Accommodations and Hospitality Tax fund, and certain nonmajor special revenue funds. The budgetary comparison schedules for the General Fund and Local Accommodations and Hospitality Tax fund have been provided 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 2014.

**Net Position of Primary Government
December 31, 2015 and 2014**

	2015	2014 (As restated)	Percentage Change
Current other assets	\$67,113,519	\$40,954,285	63.9%
Capital assets, net of depreciation	89,212,003	89,363,004	-.02%
Total Assets	<u>156,325,522</u>	<u>130,317,289</u>	20.0%
Deferred outflows	1,849,288	1,366,765	35.3%
Of resources	<u>1,849,288</u>	<u>1,366,765</u>	35.3%
Current and other liabilities	4,816,379	5,570,927	-13.5%
Long-term liabilities	57,846,767	30,091,601	92.2%
Total Liabilities	<u>62,663,146</u>	<u>35,662,528</u>	75.7%
Deferred inflows	10,415,150	12,332,393	15.5%
of resources	<u>10,415,150</u>	<u>12,332,393</u>	15.5%
Net Position:			
Invested in Capital Assets, net of related debt	80,738,660	81,454,279	-0.9%
Restricted	9,234,368	5,395,070	71.2%
Unrestricted	(4,876,514)	(3,160,216)	54.3%
Total Net Position, as restated	<u>\$85,096,514</u>	<u>\$83,689,133</u>	1.7%

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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 \$85,096,514 at the close of the most recent fiscal year.

At December 31, 2015, 94.9 percent 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 (10.9 percent) 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, 2015 and 2014**

	2015	2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$13,053,323	\$14,130,579	-7.6%
Operating grants and contributions	432,697	489,356	-11.6%
Capital grants and contributions	539,322	-	100%
General revenues:			
Property taxes	11,041,372	10,749,762	2.7%
Franchise taxes	3,706,469	3,451,180	7.4%
Accommodations taxes	3,772,356	3,375,344	11.8%
Sales taxes	1,134,010	1,005,018	12.8%
Unrestricted Grants and Contributions	883,833	683,892	29.2%
Unrestricted investment earnings	130,761	256,889	-49.1%
Gain on sale of capital assets	-	24,480	-100%
Miscellaneous	212,488	137,991	54%
Total Revenues	<u>34,906,631</u>	<u>34,304,491</u>	
Program Expenses:			
General Government	6,588,696	6,154,138	7.1%
Public Safety	16,631,348	15,071,497	10.3%
Roads and Drainage	6,752,913	6,797,075	-.6%
Recreation	2,627,582	2,615,082	.5%
Interest and Fees	898,711	315,777	184.6%
Total Expenses	<u>33,499,250</u>	<u>30,953,569</u>	
Increase in Net Position	1,407,381	3,350,922	
Net position, beginning of year, as restated	<u>83,689,133</u>	<u>80,338,211</u>	
Net position, end of year	<u>\$85,096,514</u>	<u>\$83,689,133</u>	

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Governmental Activities. – Governmental activities increased the Town's net position by \$1,407,381.

Charges for services were the Town's largest program revenue, accounting for \$13,053,323 or 37.4 percent 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 \$11,041,372 of the \$34,906,631 total revenues for governmental activities, or 31.6 percent of total revenues. Another component of general revenues was franchise fees which accounted for \$3,706,469 or 10.6 percent of total revenues.

The public safety program accounted for \$16,631,348 of the \$33,499,250 total expenses for governmental activities, or 49.6 percent of total expenses. The next largest program was roads and drainage, accounting for \$6,752,913 and representing 20.2 percent of total governmental expenses.

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Governmental Activities				
	Total Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Government	6,588,696	6,154,138	2,755,405	3,552,786
Public Safety	16,631,348	15,071,497	(15,425,046)	(13,412,654)
Roads and Drainage	6,752,913	6,797,075	(3,628,131)	(3,926,928)
Recreation	2,627,582	2,615,082	(2,277,425)	(2,231,061)
Interest and Fiscal Charges	898,711	315,777	(898,711)	(315,777)
Total Expenses	<u>33,499,250</u>	<u>30,953,569</u>	<u>(19,473,908)</u>	<u>(16,333,634)</u>

Charges for services and operating and capital grants of \$14,025,342 (41.9 percent of the total costs of services) were received and used to fund the governmental activities expenses of the Town. The remaining \$19,473,908 in governmental activities expenses is funded by property, franchise, accommodation taxes, and other revenue. The general government function received \$9,344,101 in charges for services, operating grants, and capital grants. This amount exceeded general government expenses by \$2,755,405. Roads and drainage received \$3,124,782 in charges for services, operating and capital grants, which was 46.3 percent of expenses. \$1,206,302 or 7.3 percent of public safety expenses were funded by charges for services, operating, and capital grants.

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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015, the Town's governmental funds reported a combined ending fund balance of \$53,659,950, an increase of \$27,891,084 in comparison with the prior year. Approximately 34.3 percent of this total (\$18,397,516) is unassigned fund balance. Fund balance is categorized in four parts: Nonspendable, Restricted, Committed and Unassigned. The total Nonspendable is \$121,652. Restricted is divided into four parts: Public Safety, Tourism, Capital projects and Stormwater mitigation. The two largest restricted accounts are Tourism and Capital Projects with balances of \$12,501,736 and \$21,569,002, 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 \$19,172,688 while the total fund balance was \$19,271,386. 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 74.4 percent of total general fund expenditures, while total fund balance represents 74.8 percent of that same amount.

The fund balance of the Town's General Fund increased by \$1,450,924 due primarily to both a decrease in departmental expenditures and capital outlay.

Budgetary Highlights

By state statute, the Town Council adopts the annual operating budget for the Town by the last day of December. The original budget of \$26,872,470 for 2015 was amended to \$27,842,912.

The Town's budget anticipated that expenditures would exceed revenues by \$1,500,000; the actual results from the year show a loss of \$353,798. Actual local revenues received of \$25,424,940 were less than anticipated revenues by \$132,851, due primarily to a decrease in fines and forfeitures collected. In addition, overall actual expenditures were under budget by \$1,935,805.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities at December 31, 2015, was \$89,212,003 (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- Street Sweeper \$176,062; Dump Truck \$73,613
- Stormwater Department- Vacuum/Jetter Combination Truck \$164,208
- Fire Department- Substation 2 remodel \$500,000; Pumper Truck \$434,614
- Purchase of \$707,660 in police vehicles
- Park and Recreation- park improvements \$88,641

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

Long-Term Debt. At December 31, 2015, the Town had \$57,155,297 in outstanding debt consisting of general obligation bond debt, limited obligation bond debt, capital leases, and net pension liability. The Town's general obligation bonded debt issued to fund the Town Hall Annex project decreased by \$190,000 during the year. The Town issued limited obligation bonds of \$25,810,019 for capital improvement of roads, buildings and infrastructure.

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, 2015**

Economic Factors and Next Year's Budget

The Town of Summerville recently 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 2015 with 231 new home permits for a total construction cost of \$50,659,000. Also, in 2015, Summerville issued 21 commercial permits for a total cost of construction of \$26,065,153. Residential and commercial construction permits totaled \$504,458.00, with construction costs for all permits totaling \$124,372,139.

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 a two year project with the expected final draft to be submitted to the Town Council in December 2016. The Town is also preparing a Green Infrastructure Plan that will help inform future ordinance and policies with regards to tree protection, conservation, and preservation of natural and cultural areas within the Town.

The new interchange at mile marker 197 received final permitting and ground breaking occurred in April 2016. This new access point into Town via 1-26 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. Five of the eight to nine properties needing to be annexed into the Town in order to provide this infrastructure were finalized in 2014. The Town continues to work with property owners to annex the remaining parcels. In 2015, for the 2016 budget, the Town Council approved the hiring of an Annexation and Development Coordinator that is now employed in the Planning & Economic Development Department.

With the announcement of Volvo opening their first North American facility 8 miles west of Summerville, advanced staffing ahead of opening the facility have leased space in Summerville at the new SCRA building in Nexton. For the portion of the Nexton development that is in the Town's jurisdiction, the developer continues efforts to recruit national businesses with a Sam's Wholesale Club which is scheduled to break ground in 2016. Palmetto Primary Care, a large medical provider in the region, will also begin construction in the Nexton development in 2016 with a 100k sq. ft. medical office and urgent care facility. Currently, a new Starbucks restaurant is under construction in this development.

BJ's Wholesale Club announced plans to annex a 20 acre parcel into the Town in order to build an 80+k sq. ft. store with a fueling station. Final annexation approval was given by Town Council in April 2016 and there are plans to begin construction in the second - third quarter. This development will result in the extension of a Town road, Marymeade Dr., as a partnership between BJ's and the Town. The redevelopment of an abandoned shopping center, Heritage Square, began with construction of an existing outparcel for a new Spinx gas station and renovations for the main buildings of the shopping center. The main tenant will be Palmetto State Armory with additional tenants scheduled to include Planet Fitness, possibly a restaurant, dentist and/or motorcycle retail distributor.

The staff anticipates preliminary design plans to be submitted for a large 55 acre undeveloped parcel at the corner of US Hwy. 78 and the Berlin G. Myers Pkwy. This development may contain additional shopping, restaurants and residential uses. In the commercial development across the intersection from this property, a law firm is currently under construction with completion expected in the summer of 2016.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The Earthfare/Petco retail complex opened in 2015. Additional tenants continue to open in this complex, including Dunkin Donuts, Mattress Firm, Orange Theory Fitness, and Tijuana Flats with the tenant upfits for Crust Pizza and Persimmon Café nearing completion. Additional tenants will include Hand and Stone Massage and Monarch Eye Care. A third new multi-tenant building in the Azalea Square shopping center neared completion at the end of 2015 with the first tenant opening in the first quarter of 2016 with a Donato's Pizza. Two new gas stations are planned to begin construction by the end of 2016, one at the intersection of US Hwy. 78 and N. Maple Street and the other at the intersection of Luden Drive and Boonehill Road.

A new Hampton Inn hotel on Holiday Drive is expected to finish construction in 2015 and a Home To Suites hotel is currently under construction for the corner of Holiday Dr. and Azalea Square shopping center. A third hotel on Holiday Drive is being reviewed by the Town with anticipation of permit application being submitted in 2016 and construction to begin late 2016/early 2017.

The Town has had discussions with developers looking to purchase two large shopping centers in the Oakbrook area for purposes of redeveloping. The staff has also had discussions with a developer regarding the purchase of land in Oakbrook along the Ashley River for purposes of development that may include apartments, a restaurant, assisted living, retail, parking garage, and/or office space. None of these discussions has resulted in any submitted applications or plans to date; the staff anticipates these discussions to continue with submittals for review for approval within the next two years.

A new planned neighborhood has begun construction on Butternut Road with plans for a new phase of the Southpoint neighborhood on US Hwy 78. Construction is expected to begin in summer of 2016 for a new apartment complex on Sheep Island Road. The staff has also had discussions with a developer looking to purchase property in the heart of the downtown area for the purposes of a new age restricted neighborhood.

Redevelopment of three existing properties in the downtown district has recently been completed (one in 2015 and two within the past couple of months). These three projects have converted older housing stock into professional offices. Currently, a new professional office building is under construction in the downtown area. A rebuilt Taco Bell just reopened on N. Main St. with a nearby Wendy's currently undergoing exterior and signage renovations. A CookOut opened the last quarter of 2015 in the same area.

A new Family Dollar is under construction on Trolley Road and a Neighborhood WalMart is under construction in the Knightsville area of the town with completion of both expected in the third – fourth quarters of 2016.

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, 2015**

	Governmental Activities
ASSETS	
Cash and investments	\$ 53,220,131
Taxes receivable, net of allowance	5,120,679
Accounts receivable, net of allowances	1,006,701
Intergovernmental receivable	7,644,356
Inventories	121,652
Capital assets:	
Non-depreciable	7,739,336
Depreciable, net of accumulated depreciation	81,472,667
Total assets	156,325,522
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,849,288
Total deferred outflows of resources	1,849,288
LIABILITIES	
Accounts payable	1,878,025
Accrued liabilities	1,025,671
Unearned revenues	23,023
Intergovernmental payable	23,108
Court bonds payable	5,582
Long-term liabilities:	
Due within one year	1,860,970
Due in more than one year	33,216,322
Net pension liability	24,630,445
Total liabilities	62,663,146
DEFERRED INFLOWS OF RESOURCES	
Property taxes billed or received in advance	10,395,541
Pension	19,609
Total deferred inflows of resources	10,415,150
NET POSITION	
Net investment in capital assets	80,738,660
Restricted for:	
Public safety	326,310
Tourism	3,872,501
Capital projects	4,388,218
Stormwater mitigation	647,339
Unrestricted	(4,876,514)
Total net position	\$ 85,096,514

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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, 2015

<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>	
Governmental activities:					
General government:					
Administrative	\$ 2,524,538	\$ 7,792,396	\$ 127,293	\$ 262,072	\$ 5,657,223
Planning and annexation	905,146	1,162,340	-	-	257,194
Engineering	427,132	-	-	-	(427,132)
Municipal court	389,897	-	-	-	(389,897)
Maintenance	725,023	-	-	-	(725,023)
Public buildings and grounds	1,571,409	-	-	-	(1,571,409)
Housing and development	45,551	-	-	-	(45,551)
Public safety:					
Police	8,150,755	689,171	73,378	-	(7,388,206)
Fire	7,125,718	152,591	58,056	-	(6,915,071)
Communications	1,354,875	233,106	-	-	(1,121,769)
Roads and drainage:					
Street	5,735,314	1,537,644	173,970	277,250	(3,746,450)
Stormwater	1,017,599	1,135,918	-	-	118,319
Culture and recreation	2,627,582	350,157	-	-	(2,277,425)
Interest on long-term debt	898,711	-	-	-	(898,711)
Total governmental activities	\$ 33,499,250	\$ 13,053,323	\$ 432,697	\$ 539,322	\$ (19,473,908)
General revenues:					
Property taxes					11,041,372
Franchise taxes					3,706,469
Accommodations and hospitality taxes					3,772,356
Sales taxes					1,134,010
Grants and contributions not restricted to specific programs					883,833
Unrestricted investment earnings					130,761
Miscellaneous revenues					212,488
Total general revenues					20,881,289
Change in net position					1,407,381
Net position, beginning of year, as restated					83,689,133
Net position, end of year					\$ 85,096,514

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

TOWN OF SUMMERVILLE, SOUTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

ASSETS	Local				Total Governmental Funds
	General Fund	Accommodations and Hospitality Tax Fund	Infrastructure Fund	Nonmajor Governmental Funds	
Cash and investments	\$ 18,130,581	\$ 11,973,644	\$ 20,497,621	\$ 2,618,285	\$ 53,220,131
Taxes receivable, net of allowance	5,120,679	-	-	-	5,120,679
Accounts receivable, net of allowances	132,773	330,753	81,118	462,057	1,006,701
Intergovernmental receivable	6,245,024	-	277,250	1,122,082	7,644,356
Due from other funds	2,009,497	-	-	-	2,009,497
Inventories	98,698	-	-	22,954	121,652
Total assets	\$ 31,737,252	\$ 12,304,397	\$ 20,855,989	\$ 4,225,378	\$ 69,123,016
LIABILITIES					
Accounts payable	\$ 934,736	\$ 56,446	\$ 364,317	\$ 522,526	\$ 1,878,025
Accrued liabilities	643,280	2,260	-	42,154	687,694
Intergovernmental payable	23,108	-	-	-	23,108
Unearned revenues	23,023	-	-	-	23,023
Due to other funds	-	-	-	2,009,497	2,009,497
Court bonds payable	5,582	-	-	-	5,582
Total liabilities	1,629,729	58,706	364,317	2,574,177	4,626,929
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	10,395,541	-	-	-	10,395,541
Unavailable revenue - intergovernmental	440,596	-	-	-	440,596
Total deferred inflows of resources	\$ 10,836,137	\$ -	\$ -	\$ -	\$ 10,836,137
FUND BALANCES					
Nonspendable	\$ 98,698	\$ -	\$ -	\$ 22,954	\$ 121,652
Restricted for:					
Public safety	-	-	-	326,310	326,310
Tourism	-	12,245,691	-	256,045	12,501,736
Capital projects	-	-	20,491,672	1,077,330	21,569,002
Stormwater mitigation	-	-	-	647,339	647,339
Committed for:					
Recreation	-	-	-	96,395	96,395
Unassigned	19,172,688	-	-	(775,172)	18,397,516
Total fund balances	19,271,386	12,245,691	20,491,672	1,651,201	53,659,950
Total liabilities, deferred inflows of resources, and fund balances	\$ 31,737,252	\$ 12,304,397	\$ 20,855,989	\$ 4,225,378	\$ 69,123,016

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, 2015**

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

Fund balances, end of year	\$	53,659,950
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the		89,212,003
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		440,596
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.		1,849,288
Deferred inflows of resources related to the recording of the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.		(19,609)
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	\$	(7,195,000)
Limited obligation bonds payable		(24,485,000)
Issuance premiums		(1,407,323)
Capital lease obligations		(844,852)
Net pension liability		(24,630,445)
Compensated absences		(1,145,117)
Accrued interest payable		(337,977)
		(60,045,714)
	\$	85,096,514

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, 2015**

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 11,041,372	\$ -	\$ -	\$ -	\$ 11,041,372
Licenses, permits, and franchise taxes	10,729,861	3,491,782	1,520,284	573,252	16,315,179
Intergovernmental revenue:					
Local revenue	140,000	-	-	-	140,000
State revenue	2,144,950	-	277,250	392,652	2,814,852
Federal revenue	183,943	-	-	489,590	673,533
Charges for services:					
Sanitation	-	-	-	1,499,948	1,499,948
Stormwater	38,087	-	-	1,097,831	1,135,918
Recreation	205,907	-	-	-	205,907
Other	52,384	-	-	17,079	69,463
Fines and forfeitures	374,576	-	-	51,359	425,935
Investment income	115,735	9,463	1,188	4,375	130,761
Miscellaneous	398,125	41,394	-	52,731	492,250
Total revenues	25,424,940	3,542,639	1,798,722	4,178,817	34,945,118
Expenditures:					
Current:					
General government:					
Administrative	1,735,371	533,678	-	163,552	2,432,601
Planning and annexation	894,025	-	-	-	894,025
Engineering	400,113	-	-	-	400,113
Municipal court	373,769	-	-	-	373,769
Maintenance	646,603	-	-	-	646,603
Public buildings and grounds	755,051	-	-	-	755,051
Housing and development	-	-	-	45,551	45,551
Public safety:					
Police	6,572,835	-	-	347,263	6,920,098
Fire	6,497,777	-	-	52,621	6,550,398
Communications	804,689	-	-	331,336	1,136,025
Roads and drainage:					
Street	2,465,825	-	7,218	1,516,773	3,989,816
Stormwater	-	-	-	887,317	887,317
Culture and recreation	2,233,174	-	-	3,777	2,236,951
Capital outlay	1,682,434	362,154	1,158,295	1,621,366	4,824,249
Debt service:					
Principal retirement	403,301	-	-	-	403,301
Interest	313,771	-	-	-	313,771
Issuance costs	-	179,219	179,219	-	358,438
Total expenditures	25,778,738	1,075,051	1,344,732	4,969,556	33,168,077
Excess (deficiency) of revenues over (under) expenditures	(353,798)	2,467,588	453,990	(790,739)	1,777,041
Other financing sources (uses):					
Transfers in	1,532,807	-	5,000	27,016	1,564,823
Transfers out	(32,016)	(1,495,000)	-	(37,807)	(1,564,823)
Proceeds from sale of capital assets	54,256	-	-	93	54,349
Capital lease proceeds	249,675	-	-	-	249,675
Proceeds from issuance of limited obligation bonds	-	8,629,235	17,180,784	-	25,810,019
Total other financing sources (uses)	1,804,722	7,134,235	17,185,784	(10,698)	26,114,043
Net change in fund balances	1,450,924	9,601,823	17,639,774	(801,437)	27,891,084
Fund balances, beginning of year	17,820,462	2,643,868	2,851,898	2,452,638	25,768,866
Fund balances, end of year	\$ 19,271,386	\$ 12,245,691	\$ 20,491,672	\$ 1,651,201	\$ 53,659,950

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, 2015**

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

Net change in fund balances - total governmental funds	\$	27,891,084
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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 depreciation exceeded capital outlay in the current period.

Capital outlay	\$	4,824,249	
Depreciation expense		<u>(4,919,245)</u>	(94,996)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.			(56,005)
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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			(38,487)
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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:

Debt issued or incurred:			
Issuance of limited obligation bonds	\$	(25,810,019)	
Capital lease obligations		(249,675)	
Principal repayments:			
Principal retirement of long-term debt		<u>403,301</u>	(25,656,393)

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	\$	7,477	
Net pension liability		(418,797)	
Amortization of bond premiums		2,173	
Accrued interest		<u>(228,675)</u>	<u>(637,822)</u>
			<u>\$ 1,407,381</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, 2015**

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 145,216</u>
Total assets	<u>\$ 145,216</u>
LIABILITIES	
Assets held for others	<u>\$ 145,216</u>
Total liabilities	<u>\$ 145,216</u>

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

TOWN OF SUMMERVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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. 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. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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; however, they use the accrual basis of accounting to recognize assets and liabilities. 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 property tax 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 & 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 Local Accommodations and Hospitality Tax Fund. All annual appropriations lapse at fiscal year-end. In October of each year, all departments of the Town submit requests for appropriations to the Mayor, in his capacity as Town Administrator, so that a budget may be prepared. On the second Tuesday of November, the proposed budget is presented to the Town's Council for review. The Council holds public hearings and a final budget must be adopted no later than December 31. The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

Transfers of appropriations between departments require the approval of the Mayor. 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 based upon quoted market prices. 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 2015 property tax assessment levied for the 2016 fiscal year, which is deferred in the General Fund. The current property tax receivable allowance is equal to one percent 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

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, 2015, 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 estimated fair 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.

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:

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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 fifteen 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

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. Four items relating to the Town's Retirement Plan qualify for reporting in this category 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 during the year ended December 31, 2016. Additionally, 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, 2016.

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 subrecipients 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, *unearned 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. The Statement of Net Position and the governmental funds report unearned revenue 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Town Council has not delegated such authority as of December 31, 2015.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

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 percent 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 there 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.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2015, 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	\$ -	\$ -	\$ -	\$ 327,355
Restricted for Tourism	-	244,526	-	769
Restricted for Public Safety	-	-	-	4,908
Restricted for Infrastructure	-	-	4,544,100	-
Restricted for Stormwater Mitigation	-	-	-	113,686
Unassigned	682,336	-	-	-

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.

Excess of Expenditures over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations as follows:

<u>Fund / Department</u>	<u>Excess</u>
Local Accommodations and Hospitality Tax Fund	
General government - administrative	\$ 208
Capital outlay	86,709
Debt service - issuance costs	179,219

The over expenditures in the Local Accommodations and Hospitality Tax Fund were funded by greater than anticipated revenues and issuance of debt.

Deficit Fund Balance

The Summerville Redevelopment Corporation, the Victims' Advocate Fund, and the Sanitation Fees Fund had deficit fund balances of \$679,932, \$8,584, and \$86,656, respectively, as of December 31, 2015. The deficit in the Summerville Redevelopment Corporation will be eliminated through future grant reimbursement proceeds, while the deficits in the Victims' Advocate Fund and the Sanitation Fees Fund will be eliminated through future revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Total deposits and investments as of December 31, 2015 are summarized as follows:

Statement of Net Position:	
Cash	\$ 40,257,546
Investments	12,962,585
Total cash and investments	<u>53,220,131</u>
Statement of Fiduciary Net Position:	
Cash	145,216
	<u>\$ 53,365,347</u>
Cash and investments deposited with financial institutions	\$ 47,136,077
South Carolina Local Government Investment Pool	6,229,270
	<u>\$ 53,365,347</u>

At December 31, 2015, 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.

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, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Investments: As of December 31, 2015, the Town had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Credit Rating</u>
Federal National Mortgage Association	\$ 2,008,350	3.76%	Aaa/AA+
Federal Home Loan Mortgage Corporation	1,301,930	2.44%	Aaa/AA+
South Carolina Government Investment Pool	6,229,270	11.67%	N/A
Certificates of Deposit	3,423,035	6.41%	N/A
Total investments	<u>12,962,585</u>		
Cash	40,402,762	75.71%	N/A
Total cash and investments	<u>\$ 53,365,347</u>		

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, 2015, 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.

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.

NOTES TO FINANCIAL STATEMENTS

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 percent, February 2 - an additional 7 percent, and March 16 - an additional 5 percent). 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.

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, 2015 for the Town's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	\$ 5,396,576	\$ -	\$ -	\$ -	\$ 5,396,576
Accounts	132,773	330,753	81,118	465,723	1,010,367
Intergovernmental	6,245,024	-	277,250	1,122,082	7,644,356
Total receivables	11,774,373	330,753	358,368	1,587,805	14,051,299
Less allowance for uncollectible	(275,897)	-	-	(3,666)	(279,563)
Net total receivable	<u>\$ 11,498,476</u>	<u>\$ 330,753</u>	<u>\$ 358,368</u>	<u>\$ 1,584,139</u>	<u>\$ 13,771,736</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,829,134	\$ -	\$ -	\$ -	\$ 4,829,134
Construction in progress	257,893	2,652,309	-	-	2,910,202
Total	<u>5,087,027</u>	<u>2,652,309</u>	<u>-</u>	<u>-</u>	<u>7,739,336</u>
Capital assets, being depreciated:					
Buildings	25,897,406	-	-	-	25,897,406
Improvements	7,144,000	92,847	-	-	7,236,847
Infrastructure	78,082,551	181,446	-	-	78,263,997
Vehicles and rolling equipment	13,781,083	1,725,432	(525,380)	-	14,981,135
Furniture and equipment	4,984,818	172,215	(5,885)	-	5,151,148
Total	<u>129,889,858</u>	<u>2,171,940</u>	<u>(531,265)</u>	<u>-</u>	<u>131,530,533</u>
Less accumulated depreciation for:					
Buildings	(7,416,024)	(1,337,288)	-	-	(8,753,312)
Improvements	(2,959,462)	(363,293)	-	-	(3,322,755)
Infrastructure	(23,054,581)	(1,563,011)	-	-	(24,617,592)
Vehicles and rolling equipment	(10,176,626)	(1,614,080)	473,691	-	(11,317,015)
Furniture and equipment	(2,007,188)	(41,573)	1,569	-	(2,047,192)
Total	<u>(45,613,881)</u>	<u>(4,919,245)</u>	<u>475,260</u>	<u>-</u>	<u>(50,057,866)</u>
Total capital assets, being depreciated, net	<u>84,275,977</u>	<u>(2,747,305)</u>	<u>(56,005)</u>	<u>-</u>	<u>81,472,667</u>
Governmental activities capital assets, net	<u>\$ 89,363,004</u>	<u>\$ (94,996)</u>	<u>\$ (56,005)</u>	<u>\$ -</u>	<u>\$ 89,212,003</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Administrative	\$ 58,203
Planning and annexation	18,908
Engineering	4,436
Municipal court	8,096
Maintenance	68,755
Public buildings and grounds	802,663
Police	1,128,418
Fire	446,191
Communications	202,539
Street	1,712,036
Stormwater	121,205
Recreation	347,795
Total depreciation expense - governmental activities	<u><u>\$ 4,919,245</u></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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 7,385,000	\$ -	\$ (190,000)	\$ 7,195,000	\$ 200,000
Plus deferred amounts for issuance premiums	84,477	-	(2,173)	82,304	-
General obligation bonds payable, net	7,469,477	-	(192,173)	7,277,304	200,000
Limited obligation bonds payable	-	24,485,000	-	24,485,000	850,000
Plus deferred amounts for issuance premiums	-	1,325,019	-	1,325,019	-
Limited obligation bonds payable, net	-	25,810,019	-	25,810,019	850,000
Net pension liability	21,560,796	4,847,606	(1,777,957)	24,630,445	-
Capital lease obligations	808,478	249,675	(213,301)	844,852	265,359
Compensated absences payable	1,152,594	660,993	(668,470)	1,145,117	545,611
Total long-term liabilities	\$ 30,991,345	\$ 31,568,293	\$ (2,851,901)	\$ 59,707,737	\$ 1,860,970

The beginning balances of long-term debt have been adjusted to reflect the recording of the net pension liability. See Note 11 for additional information.

General Obligation Bonds

The Town issued \$8,500,000 of Series 2007 general obligation bonds during 2007. The bonds bear interest rates of 3.85% to 4.75% and mature December 31, 2037.

The annual requirements for debt service on general obligation bonds outstanding at December 31, 2015 are summarized as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 200,000	\$ 291,503	\$ 491,503
2017	210,000	282,534	492,534
2018	215,000	273,237	488,237
2019	225,000	263,190	488,190
2020	235,000	252,265	487,265
2021 - 2025	1,350,000	1,089,952	2,439,952
2026 - 2030	1,680,000	789,445	2,469,445
2031 - 2035	2,100,000	414,000	2,514,000
2036 and 2037	980,000	39,600	1,019,600
Plus deferred amounts for issuance premium	82,304	-	82,304
Total	\$ 7,277,304	\$ 3,695,726	\$ 10,973,030

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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.

The annual requirements for debt service on limited obligation bonds outstanding at December 31, 2015 are summarized as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 850,000	\$ 947,552	\$ 1,797,552
2017	845,000	949,088	1,794,088
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 - 2025	5,390,000	3,577,488	8,967,488
2026 - 2030	6,670,000	2,296,138	8,966,138
2031 - 2035	8,020,000	951,405	8,971,405
Plus deferred amounts for issuance premium	1,325,019	-	1,325,019
Total	<u>\$ 25,810,019</u>	<u>\$ 11,393,384</u>	<u>\$ 37,203,403</u>

Capital Lease Obligations

The Town entered into an equipment lease with a regional bank during 2011 for a pothole patcher. Payments are to be made annually at 2.68% for a term of 5 years.

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 5 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 1.760% for a term of 7 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 5 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

The future minimum lease obligations as of December 31, 2015, were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 279,380
2017	247,385
2018	117,726
2019	117,726
2020	<u>117,726</u>
Total minimum lease payments	879,943
Less: Amounts representing interest	<u>(35,091)</u>
Present value of future minimum lease payments	<u><u>\$ 844,852</u></u>

The carrying value of the assets acquired through capital leases as of December 31, 2015, were as follows:

Equipment	\$ 1,328,866
Less: Accumulated depreciation	<u>(296,009)</u>
	<u><u>\$ 1,032,857</u></u>

The Town reported depreciation expense for the year ended December 31, 2015 on assets acquired through capital leases in the amount of \$155,252.

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, 2015, is \$25,569. 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>
2016	\$ 23,562
2017	16,885
2018	9,847
2019	9,275
2020	4,021
2021	<u>108</u>
Total	<u>\$ 63,698</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 2,009,497</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, 2015 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Local Accommodations and Hospitality Tax Fund	\$ 1,495,000
General Fund	Nonmajor Governmental Funds	37,807
Infrastructure Fund	General Fund	5,000
Nonmajor Governmental Funds	General Fund	<u>27,016</u>
		<u>\$ 1,564,823</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

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, 2015 are not significant.

Construction Commitments. At December 31, 2015, the Town had a construction commitment related to the resurfacing of roads for approximately \$5,718,183.

NOTES TO FINANCIAL STATEMENTS

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 Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), 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. 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, 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Membership (Continued):

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. An incidental death benefit is also available to beneficiaries of active or retired members of employees who participate in the death benefit program.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Benefits (Continued):

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

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 one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Contributions (Continued):

Required employee contribution rates for the year ended December 31, 2015 are as follows:

South Carolina Retirement System

8.00% of earnable compensation from January 1st through June 30th
8.16% of earnable compensation from July 1st through December 31st

South Carolina Police Officers Retirement System

8.41% of earnable compensation from January 1st through June 30th
8.74% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the year ended December 31, 2015 are as follows:

South Carolina Retirement System

10.75% of earnable compensation from January 1st through June 30th
10.91% of earnable compensation from July 1st through December 31st
Employer incidental death benefit: 0.15% of earnable compensation

South Carolina Police Officers Retirement System

13.01% of earnable compensation from January 1st through June 30th
13.34% 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 Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Net Pension Liability (Continued):

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GSAB No. 67, less that system's fiduciary net position. As of June 30, 2015, the net pension liability amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Liability	Employers' Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
SCRS	\$ 25,494,860	\$ 14,529,966	\$ 10,964,894	57.0%
PORS	\$ 38,568,785	\$ 24,903,234	\$ 13,665,551	64.6%

As of June 30, 2015, the change in the net pension liability for the SCRS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 430,258
Interest	1,820,068
Difference between actual and expected experience	(25,806)
Benefit payments	<u>(1,564,212)</u>
Net change in total pension liability	660,308
Total pension liability - beginning June 30, 2014	<u>24,834,552</u>
Total pension liability - ending June 30, 2015	<u>25,494,860</u>
Plan fiduciary net position	
Contributions - employer	591,146
Contributions - member	414,017
Refunds of contributions to members	(54,984)
Retirement benefits	(1,497,581)
Death benefits	(11,647)
Net investment income	216,316
Administrative expense	(7,258)
Net transfers to affiliated systems	<u>(769)</u>
Net change in Plan fiduciary net position	(350,760)
Plan fiduciary net position - beginning June 30, 2014	<u>14,880,726</u>
Plan fiduciary net position - ending June 30, 2015	<u>14,529,966</u>
Net pension liability	<u>\$ 10,964,894</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Net Pension Liability (Continued):

As of June 30, 2015, the change in the net pension liability for the PORS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 966,221
Interest	2,729,508
Difference between actual and expected experience	42,454
Benefit payments	<u>(2,159,448)</u>
Net change in total pension liability	1,578,735
Total pension liability - beginning June 30, 2014	<u>36,990,050</u>
Total pension liability - ending June 30, 2015	<u>38,568,785</u>
Plan fiduciary net position	
Contributions - employer	1,043,645
Contributions - member	669,973
Refunds of contributions to members	(109,431)
Retirement benefits	(2,026,790)
Death benefits	(23,226)
Net investment income	368,083
Administrative expense	(12,261)
Net transfers to affiliated systems	<u>6,651</u>
Net change in Plan fiduciary net position	(83,356)
Plan fiduciary net position - beginning June 30, 2014	<u>24,986,590</u>
Plan fiduciary net position - ending June 30, 2015	<u>24,903,234</u>
Net pension liability	<u>\$ 13,665,551</u>

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, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued):

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

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
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. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for SCRS and PORS are as follows:

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. 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 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued):

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short-Term	5.0%		
Cash	2.0%	1.9%	0.04%
Short duration	3.0%	2.0%	0.06%
Domestic Fixed Income	13.0%		
Core fixed income	7.0%	2.7%	0.19%
Mixed Credit	6.0%	3.8%	0.23%
Global Fixed Income	9.0%		
Global fixed income	3.0%	2.8%	0.08%
Emerging markets debt	6.0%	5.1%	0.31%
Global Public Equity	31.0%	7.1%	2.20%
Global Tactical Asset Allocation	10.0%	4.9%	0.49%
Alternatives	32.0%		
Hedge funds (low beta)	8.0%	4.3%	0.34%
Private debt	7.0%	9.9%	0.69%
Private equity	9.0%	9.9%	0.89%
Real estate (broad market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
			<hr/>
		Total expected real return	6.00%
		Inflation for actuarial purposes	2.75%
		Total expected nominal return	<hr/> <hr/> 8.75%

Discount Rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina 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.

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 13,823,598	\$ 10,964,894	\$ 8,568,936
PORS	\$ 18,615,522	\$ 13,665,551	\$ 9,240,338

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

For the year ended December 31, 2015, the Town recognized pension expense of \$606,578 for the SCRS plan and \$1,043,002 for the PORS plan. At December 31, 2015, 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:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 194,808	\$ 19,609
Net difference between projected and actual earnings on pension plan investments	73,394	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	146,638	-
Employer contributions subsequent to the measurement date	307,394	-
Total	\$ 722,234	\$ 19,609

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):

PORS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 270,851	\$ -
Net difference between projected and actual earnings on pension plan investments	149,524	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	182,505	-
Employer contributions subsequent to the measurement date	<u>524,174</u>	<u>-</u>
Total	<u>\$ 1,127,054</u>	<u>\$ -</u>

Town contributions subsequent to the measurement date of \$307,394 and \$524,174 for the SCRS plan and the PORS plan, respectively, and changes in proportion and differences between employer contributions and proportionate share of contributions of \$146,638 and \$182,505 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	<u>SCRS</u>	<u>PORS</u>
2016	\$ 46,943	\$ 42,497
2017	46,943	42,497
2018	(19,971)	30,535
2019	174,678	304,846

NOTES TO FINANCIAL STATEMENTS

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, 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

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 \$275,762, 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 of the Town.

NOTE 11. CHANGES IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2015, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified. These Statements require that the Town restate its financial statements to recognize its proportionate share of the plans' net pension liability, record deferred outflows and inflows of resources, and report pension expense based on an actuarial valuation, rather than actual contributions. The implementation of these new accounting standards was retroactive and the effect of the restatement on the Town's net position is as follows:

Beginning net position, January 1, 2015, as previously reported	\$ 106,071,102
Changes in accounting principles due to the implementation of GASB Statement No. 68 and 71	<u>(22,381,969)</u>
Beginning net position, January 1, 2015, as restated	<u>\$ 83,689,133</u>

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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 10,985,600	\$ 10,985,600	\$ 11,041,372	\$ 55,772
Licenses, permits, and franchise taxes	10,683,150	10,878,914	10,729,861	(149,053)
Intergovernmental revenue:				
Local revenue	140,000	140,000	140,000	-
State revenue	2,181,000	2,181,000	2,144,950	(36,050)
Federal revenue	29,500	29,500	183,943	154,443
Charges for services:				
Stormwater	40,000	40,000	38,087	(1,913)
Recreation	241,975	241,975	205,907	(36,068)
Other	49,000	49,000	52,384	3,384
Fines and forfeitures	550,000	550,000	374,576	(175,424)
Investment income	35,800	97,849	115,735	17,886
Miscellaneous	326,445	363,953	398,125	34,172
Total revenues	<u>25,262,470</u>	<u>25,557,791</u>	<u>25,424,940</u>	<u>(132,851)</u>
Expenditures:				
Current:				
General government:				
Administrative	2,057,306	1,952,770	1,735,371	217,399
Planning and annexation	1,042,331	1,045,080	894,025	151,055
Engineering	413,355	414,970	400,113	14,857
Municipal court	422,453	422,991	373,769	49,222
Maintenance	661,440	661,978	646,603	15,375
Public buildings and grounds	875,319	880,919	755,051	125,868
Total general government	<u>5,472,204</u>	<u>5,378,708</u>	<u>4,804,932</u>	<u>573,776</u>
Public safety:				
Police	6,902,789	6,908,710	6,572,835	335,875
Fire	6,664,950	6,680,021	6,497,777	182,244
Communications	843,179	857,415	804,689	52,726
Total public safety	<u>14,410,918</u>	<u>14,446,146</u>	<u>13,875,301</u>	<u>570,845</u>
Roads and drainage:				
Street	2,549,804	2,553,033	2,465,825	87,208
Total roads and drainage	<u>2,549,804</u>	<u>2,553,033</u>	<u>2,465,825</u>	<u>87,208</u>
Culture and recreation:				
Recreation	2,157,933	2,389,036	2,233,174	155,862
	<u>2,157,933</u>	<u>2,389,036</u>	<u>2,233,174</u>	<u>155,862</u>
Capital outlay	<u>1,436,170</u>	<u>2,230,548</u>	<u>1,682,434</u>	<u>548,114</u>
Debt service:				
Principal	403,301	403,301	403,301	-
Interest	313,771	313,771	313,771	-
Total debt service	<u>717,072</u>	<u>717,072</u>	<u>717,072</u>	<u>-</u>
Total expenditures	<u>26,744,101</u>	<u>27,714,543</u>	<u>25,778,738</u>	<u>1,935,805</u>
Deficiency of revenues under expenditures	<u>(1,481,631)</u>	<u>(2,156,752)</u>	<u>(353,798)</u>	<u>1,802,954</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources:				
Transfers in	\$ 1,580,000	\$ 1,914,248	\$ 1,532,807	\$ (381,441)
Transfers out	(128,369)	(128,369)	(32,016)	96,353
Proceeds from sale of capital assets	30,000	30,000	54,256	24,256
Capital lease proceeds	-	249,675	249,675	-
Total other financing sources	<u>1,481,631</u>	<u>2,065,554</u>	<u>1,804,722</u>	<u>(260,832)</u>
 Net change in fund balances	 <u>-</u>	 <u>(91,198)</u>	 <u>1,450,924</u>	 <u>1,542,122</u>
 Fund balances, beginning of year	 <u>17,820,462</u>	 <u>17,820,462</u>	 <u>17,820,462</u>	 <u>-</u>
 Fund balances, end of year	 <u><u>\$ 17,820,462</u></u>	 <u><u>\$ 17,729,264</u></u>	 <u><u>\$ 19,271,386</u></u>	 <u><u>\$ 1,542,122</u></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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits, and franchise taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,491,782	\$ 491,782
Investment income	-	-	9,463	9,463
Miscellaneous	-	-	41,394	41,394
Total revenues	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,542,639</u>	<u>542,639</u>
Expenditures:				
Current:				
General Government:				
Administrative	533,470	533,470	533,678	(208)
Total general government	<u>533,470</u>	<u>533,470</u>	<u>533,678</u>	<u>(208)</u>
Capital Outlay	<u>275,445</u>	<u>275,445</u>	<u>362,154</u>	<u>(86,709)</u>
Debt Service:				
Issuance costs	-	-	179,219	(179,219)
Total expenditures	<u>808,915</u>	<u>808,915</u>	<u>1,075,051</u>	<u>(266,136)</u>
Excess of revenues over expenditures	<u>2,191,085</u>	<u>2,191,085</u>	<u>2,467,588</u>	<u>276,503</u>
Other financing sources (uses)				
Transfers out	(2,191,085)	(2,191,085)	(1,495,000)	696,085
Proceeds from issuance of limited obligation bonds	-	-	8,629,235	8,629,235
Total other financing sources (uses)	<u>(2,191,085)</u>	<u>(2,191,085)</u>	<u>7,134,235</u>	<u>9,325,320</u>
Net change in fund balances	-	-	9,601,823	9,601,823
Fund balances, beginning of year	<u>2,643,868</u>	<u>2,643,868</u>	<u>2,643,868</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,643,868</u>	<u>\$ 2,643,868</u>	<u>\$ 12,245,691</u>	<u>\$ 9,601,823</u>

TOWN OF SUMMERVILLE, SOUTH CAROLINA

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

South Carolina Retirement System	2015
Town's proportion of the net pension liability	0.057815%
Town's proportionate share of the net pension liability	\$ 10,964,894
Town's covered-employee payroll	\$ 5,420,593
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.3%
Plan fiduciary net position as a percentage of the total pension liability	57.0%
South Carolina Police Officers Retirement System	2015
Town's proportion of the net pension liability	0.62700%
Town's proportionate share of the net pension liability	\$ 13,665,551
Town's covered-employee payroll	\$ 7,767,718
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.9%
Plan fiduciary net position as a percentage of the total pension liability	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 YEAR ENDED DECEMBER 31,**

South Carolina Retirement System	<u>2015</u>
Actuarially determined contribution	\$ 590,873
Contributions in relation to the actuarially determined contribution	<u>590,873</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	5,420,593
Contributions as a percentage of covered-employee payroll	10.90%
South Carolina Police Officers Retirement System	<u>2015</u>
Actuarially determined contribution	\$ 1,041,651
Contributions in relation to the actuarially determined contribution	<u>1,041,651</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	7,767,718
Contributions as a percentage of covered-employee payroll	13.41%

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Revenues:		
Property taxes	\$ 11,041,372	\$ 10,670,539
Licenses, permits, and franchise taxes	10,729,861	10,908,107
Intergovernmental revenue:		
Local revenue	140,000	140,000
State revenue	2,144,950	2,014,815
Federal revenue	183,943	420,013
Charges for services		
Stormwater	38,087	-
Recreation	205,907	246,382
Other	52,384	57,399
Fines and forfeitures	374,576	592,031
Investment income	115,735	243,612
Miscellaneous	398,125	78,583
Total revenues	<u>\$ 25,424,940</u>	<u>\$ 25,371,481</u>

TOWN OF SUMMERVILLE, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF EXPENDITURES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Expenditures:	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Personnel	Operating	Total	Personnel	Operating	Total
Current:						
General government:						
Administrative	\$ 1,188,424	\$ 546,947	\$ 1,735,371	\$ 1,141,129	\$ 684,924	\$ 1,826,053
Planning and annexation	702,586	191,439	894,025	640,574	63,674	704,248
Engineering	361,739	38,374	400,113	301,269	27,672	328,941
Municipal court	342,525	31,244	373,769	339,995	31,168	371,163
Maintenance	562,269	84,334	646,603	544,556	78,349	622,905
Public buildings and grounds	-	755,051	755,051	-	767,852	767,852
Public safety:						
Police	5,911,909	660,926	6,572,835	5,339,794	664,466	6,004,260
Fire	5,975,792	521,985	6,497,777	5,609,487	488,524	6,098,011
Communications	718,099	86,590	804,689	709,309	49,009	758,318
Roads and bridges:						
Street	1,451,213	1,014,612	2,465,825	1,374,104	1,081,714	2,455,818
Culture and recreation	1,663,710	569,464	2,233,174	1,561,853	619,024	2,180,877
Capital outlay	-	1,682,434	1,682,434	-	3,837,088	3,837,088
Debt service:						
Principal retirement	-	403,301	403,301	-	397,198	397,198
Interest	-	313,771	313,771	-	317,968	317,968
Total expenditures	<u>\$ 18,878,266</u>	<u>\$ 6,900,472</u>	<u>\$ 25,778,738</u>	<u>\$ 17,562,070</u>	<u>\$ 9,108,630</u>	<u>\$ 26,670,700</u>

TOWN OF SUMMERVILLE, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds				
ASSETS	Summerville Redevelopment Corporation	Federal Equitable Sharing Fund	State Drug Fund	Impact Fees Fund	State Accommodations Tax Fund
Cash and investments	\$ 21,677	\$ 68,862	\$ 174,743	\$ 1,242,793	\$ 191,427
Accounts receivable, net of allowances	-	-	-	-	-
Intergovernmental receivable	185	-	-	-	64,618
Inventory	-	-	-	-	-
Total assets	\$ 21,862	\$ 68,862	\$ 174,743	\$ 1,242,793	\$ 256,045
LIABILITIES					
Accounts payable	\$ 1,794	\$ 37,510	\$ 109,559	\$ 165,463	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	700,000	-	-	-	-
Total liabilities	701,794	37,510	109,559	165,463	-
FUND BALANCES (DEFICIT)					
Nonspendable	-	-	-	-	-
Restricted:					
Public safety	-	31,352	65,184	-	-
Tourism	-	-	-	-	256,045
Capital projects	-	-	-	1,077,330	-
Stormwater mitigation	-	-	-	-	-
Committed:					
Recreation	-	-	-	-	-
Unassigned	(679,932)	-	-	-	-
Total fund balances (deficit)	(679,932)	31,352	65,184	1,077,330	256,045
Total liabilities and fund balances	\$ 21,862	\$ 68,862	\$ 174,743	\$ 1,242,793	\$ 256,045

Continued

E911 Fund	Victims' Advocate Fund	Public Safety Grants Fund	CDBG Grant Fund	Farmers Market Fund	Stormwater Management Fund	Sanitation Fees Fund	Total Nonmajor Governmental Funds
\$ 197,842	\$ -	\$ 18,125	\$ 1,520	\$ 96,498	\$ 604,798	\$ -	\$ 2,618,285
14,643	-	-	-	-	84,782	362,632	462,057
32,316	-	31,643	18,107	-	-	975,213	1,122,082
-	-	-	-	-	22,954	-	22,954
<u>\$ 244,801</u>	<u>\$ -</u>	<u>\$ 49,768</u>	<u>\$ 19,627</u>	<u>\$ 96,498</u>	<u>\$ 712,534</u>	<u>\$ 1,337,845</u>	<u>\$ 4,225,378</u>
\$ 31,085	\$ 3,077	\$ 5,261	\$ 18,627	\$ 103	\$ 22,603	\$ 127,444	\$ 522,526
-	5,058	16,458	-	-	20,638	-	42,154
-	449	11,991	-	-	-	1,297,057	2,009,497
<u>31,085</u>	<u>8,584</u>	<u>33,710</u>	<u>18,627</u>	<u>103</u>	<u>43,241</u>	<u>1,424,501</u>	<u>2,574,177</u>
-	-	-	-	-	22,954	-	22,954
213,716	-	16,058	-	-	-	-	326,310
-	-	-	-	-	-	-	256,045
-	-	-	-	-	-	-	1,077,330
-	-	-	1,000	-	646,339	-	647,339
-	-	-	-	96,395	-	-	96,395
-	(8,584)	-	-	-	-	(86,656)	(775,172)
<u>213,716</u>	<u>(8,584)</u>	<u>16,058</u>	<u>1,000</u>	<u>96,395</u>	<u>669,293</u>	<u>(86,656)</u>	<u>1,651,201</u>
<u>\$ 244,801</u>	<u>\$ -</u>	<u>\$ 49,768</u>	<u>\$ 19,627</u>	<u>\$ 96,498</u>	<u>\$ 712,534</u>	<u>\$ 1,337,845</u>	<u>\$ 4,225,378</u>

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, 2015**

	Special Revenue Funds				
	Summerville Redevelopment Corporation	Federal Equitable Sharing Fund	State Drug Fund	Impact Fees Fund	State Accommodations Tax Fund
Revenues:					
Licenses, permits, and franchise taxes	\$ -	\$ -	\$ -	\$ 432,039	\$ -
Intergovernmental revenue:					
State revenue	-	-	20,185	-	280,574
Federal revenue	-	57,411	-	-	-
Charges for services:					
Sanitation	-	-	-	-	-
Stormwater	-	-	-	-	-
Other	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	14	13	41	3,746	561
Miscellaneous	-	28,275	11,972	-	-
Total revenues	14	85,699	32,198	435,785	281,135
Expenditures:					
Current:					
General government:					
Administrative	-	-	-	-	163,552
Housing and development	7,358	-	-	-	-
Public safety:					
Police	-	138,592	60,480	-	-
Fire	-	-	-	-	-
Communications	-	-	-	-	-
Roads and drainage:					
Street	-	-	-	-	-
Stormwater	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	678,588	66,202	-	358,945	-
Total expenditures	685,946	204,794	60,480	358,945	163,552
Excess (deficiency) of revenues over (under) expenditures	(685,932)	(119,095)	(28,282)	76,840	117,583
Other financing sources (uses)					
Transfers in	6,000	-	-	-	-
Transfers out	-	-	-	-	(37,807)
Proceeds from sale of capital assets	-	-	93	-	-
Total other financing sources (uses)	6,000	-	93	-	(37,807)
Net change in fund balances	(679,932)	(119,095)	(28,189)	76,840	79,776
Fund balances (deficit), beginning of year	-	150,447	93,373	1,000,490	176,269
Fund balances (deficit), end of year	\$ (679,932)	\$ 31,352	\$ 65,184	\$ 1,077,330	\$ 256,045

<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>
\$ 141,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 573,252
91,893	-	-	-	-	-	-	392,652
-	-	131,434	300,745	-	-	-	489,590
-	-	-	-	-	-	1,499,948	1,499,948
-	-	-	-	-	1,097,831	-	1,097,831
-	-	-	-	17,079	-	-	17,079
-	51,359	-	-	-	-	-	51,359
-	-	-	-	-	-	-	4,375
-	10,233	2,251	-	-	-	-	52,731
<u>233,106</u>	<u>61,592</u>	<u>133,685</u>	<u>300,745</u>	<u>17,079</u>	<u>1,097,831</u>	<u>1,499,948</u>	<u>4,178,817</u>
-	-	-	-	-	-	-	163,552
-	-	-	38,193	-	-	-	45,551
-	64,729	83,462	-	-	-	-	347,263
-	-	52,621	-	-	-	-	52,621
331,336	-	-	-	-	-	-	331,336
-	-	-	-	-	-	1,516,773	1,516,773
-	-	-	-	-	887,317	-	887,317
-	-	-	-	3,777	-	-	3,777
73,909	-	17,441	262,072	-	164,209	-	1,621,366
<u>405,245</u>	<u>64,729</u>	<u>153,524</u>	<u>300,265</u>	<u>3,777</u>	<u>1,051,526</u>	<u>1,516,773</u>	<u>4,969,556</u>
<u>(172,139)</u>	<u>(3,137)</u>	<u>(19,839)</u>	<u>480</u>	<u>13,302</u>	<u>46,305</u>	<u>(16,825)</u>	<u>(790,739)</u>
-	-	21,016	-	-	-	-	27,016
-	-	-	-	-	-	-	(37,807)
-	-	-	-	-	-	-	93
-	-	21,016	-	-	-	-	(10,698)
<u>(172,139)</u>	<u>(3,137)</u>	<u>1,177</u>	<u>480</u>	<u>13,302</u>	<u>46,305</u>	<u>(16,825)</u>	<u>(801,437)</u>
<u>385,855</u>	<u>(5,447)</u>	<u>14,881</u>	<u>520</u>	<u>83,093</u>	<u>622,988</u>	<u>(69,831)</u>	<u>2,452,638</u>
<u>\$ 213,716</u>	<u>\$ (8,584)</u>	<u>\$ 16,058</u>	<u>\$ 1,000</u>	<u>\$ 96,395</u>	<u>\$ 669,293</u>	<u>\$ (86,656)</u>	<u>\$ 1,651,201</u>

TOWN OF SUMMERVILLE, SOUTH CAROLINA

SCHEDULE OF ASSESSED PROPERTY VALUES, MILLAGE RATES AND TAXES LEVIED FOR THE TWENTY-FIVE YEAR PERIOD DECEMBER 31, 1991 THROUGH DECEMBER 31, 2015

Year	Assessed Property Values				Millage Rate		
	Real Estate	Personal Property	Vehicles	Total Property	Total Millage Rate	General Purposes	Debt Service Fund
1991	\$ 35,222,570	\$ 4,886,480	* \$ -	\$ 40,109,050	73.0	66.0	7.0
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	-

* Exclusive of vehicle taxes (1991 and 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, 2015**

	<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	\$ 374,576	\$ (374,576)	\$ -	\$ -
Assessments and surcharges	546,554	-	(495,195)	51,359
Totals	<u>\$ 921,130</u>	<u>\$ (374,576)</u>	<u>\$ (495,195)</u>	<u>\$ 51,359</u>
Victims' Assistance				
Balance for victims' assistance - beginning of year				\$ (5,447)
Amounts allocated for victims' assistance in 2015				
Assessments and surcharges			51,359	
Miscellaneous - insurance recoveries			<u>10,233</u>	
				61,592
Amounts spent for victims' assistance in 2015				
from assessments and surcharges				
Salaries and benefits				(60,927)
Operating expenditures				<u>(3,802)</u>
Balance for victims' assistance - end of year				<u>\$ (8,584)</u>

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**

**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, 2015, 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 5, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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.

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.

Mauldin & Jenkins, LLC

Macon, Georgia
May 5, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Summerville, South Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2015. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Awards:			
Community Development Block Grant	14.218	B-12-MC-45-0013	\$ 2,731
Community Development Block Grant	14.218	B-13-MC-45-0013	189,100
Community Development Block Grant	14.218	B-14-MC-45-0013	<u>107,915</u>
Total U.S. Department of Housing and Urban Development			<u>299,746</u>
<u>U.S. Department of Justice</u>			
Direct Awards:			
Bulletproof Vest Partnership Program	16.607	2013-BU-BX-130-677-37	1,236
Bulletproof Vest Partnership Program	16.607	2014-BU-BX-140-717-39	4,702
Bulletproof Vest Partnership Program	16.607	2015-BU-BX-150-790-16	<u>1,890</u>
Public Safety Partnership and Community Policing Grant	16.710	2015-UM-WX-0125	<u>22,902</u>
Federal Equitable Sharing Program	16.922	ORI #SC01802	<u>204,253</u>
Passed through the South Carolina Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1G14022	15,667
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1G13028	<u>26,982</u>
Total U.S. Department of Justice			<u>277,632</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the South Carolina Law Enforcement Division:			
Homeland Security Grant Program	97.067	14SHSP27	50,000
Homeland Security Grant Program	97.067	14SHSP59	20,000
Homeland Security Grant Program	97.067	15SHSP23	<u>8,056</u>
Passed through the South Carolina Emergency Management Division:			
Disaster Grant - Public Assistance	97.036	N/A	<u>155,434</u>
Total U.S. Department of Homeland Security			<u>233,490</u>
Total Expenditures of Federal Awards			<u>\$ 810,868</u>

TOWN OF SUMMERVILLE, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Summerville, South Carolina (the "Town"), and is presented on the modified accrual basis of accounting. The Town reporting entity is defined in Note 1 to the Town's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the Town provided federal awards to subrecipients as follows:

CFDA 14.218	Community Development Block Grant Program	\$	26,497
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TOWN OF SUMMERVILLE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

Identification of major programs:

CFDA Number

16.922

Name of Federal Program or Cluster

U.S. Department of Justice – Federal
Equitable Sharing Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

TOWN OF SUMMERVILLE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2014-001. Recording of Property Tax Revenue/Receivable

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 33 directs governments to recognize related revenue in the period property taxes are levied to finance.

Condition: The Town incorrectly recognized taxes receivable and property tax revenue collected before year-end in the year collected rather than in the year for which it was levied.

Auditee Response/Status: Resolved.