

**CITY OF TRAVELERS REST  
TRAVELERS REST, SOUTH CAROLINA**



*Get in Your Element*

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CITY OF TRAVELERS REST  
TRAVELERS REST, SOUTH CAROLINA  
TABLE OF CONTENTS**

PAGE

|  |       |
|--|-------|
| INDEPENDENT AUDITOR'S REPORT   | 1-2   |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 3-11  |
| BASIC FINANCIAL STATEMENTS:  |       |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS:  |       |
| STATEMENT OF NET POSITION  | 12    |
| STATEMENT OF ACTIVITIES  | 13    |
| FUND FINANCIAL STATEMENTS:   |       |
| BALANCE SHEET - GOVERNMENTAL FUNDS   | 14    |
| RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  | 15    |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  | 16    |
| RECONCILIATION OF THE STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  | 17    |
| STATEMENT OF NET POSITION - PROPRIETARY FUND   | 18    |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND   | 19    |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUND   | 20    |
| NOTES TO THE BASIC FINANCIAL STATEMENTS  | 21-41 |
| REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS:  |       |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  | 42-44 |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - HOSPITALITY TAX FUND  | 45    |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ACCOMMODATIONS TAX FUND   | 46    |
| SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY CONTRIBUTIONS TO COST SHARING PENSION PLAN  | 47    |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  | 48    |
| SUPPLEMENTARY INFORMATION:   |       |
| SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL - PROPRIETARY FUND  | 49    |
| SCHEDULE OF FINES AND FORFEITURE COLLECTIONS   | 50    |
| NOTES TO SUPPLEMENTARY INFORMATION   | 51    |
| 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 | 52-53 |

|  |                        |                      |                      |                       |                       |                   |
|--|------------------------|----------------------|----------------------|-----------------------|-----------------------|-------------------|
| <b>C.C. McGregor, CPA</b><br>1906–1968 | <b>PARTNERS</b>        |                      |                      | <b>ASSOCIATES</b>     |                       |                   |
|  | W.C. Stevenson, CPA    | D.L. Richardson, CPA | D.K. Strickland, CPA | V.K. Laroche, CPA     | J.R. Matthews II, CPA | M.L. Goode, CPA   |
|  | B.T. Kight, CPA        | E.C. Inabinet, CPA   | J.P. McGuire, CPA    | G.N. Mundy, CPA       | G.P. Davis, CPA       | B.A.G. Felch, CPA |
|  | G.D. Skipper, CPA      | S.S. Luoma, CPA      | L.H. Kelly, CPA      | M.L. Layman, CPA      | H.J. Darver, CPA      | H.S. Mims, CPA    |
|  | L.R. Leaphart, Jr, CPA | T.M. McCall, CPA     |                      | P.A. Betette, Jr, CPA | D.M. Herpel, CPA      |                   |
|  | M.J. Binnicker, CPA    | H.D. Brown, Jr, CPA  |                      | S. Wo, CPA            | H.O. Crider, Jr, CPA  |                   |
| W.W. Francis, CPA                      | L.B. Salley, CPA       |                      | C.D. Hinchee, CPA    | F.C. Gillam, CPA      |                       |                   |

## INDEPENDENT AUDITOR’S REPORT

To the Mayor and City Council  
 City of Travelers Rest  
 Travelers Rest, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Travelers Rest, South Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### *Management’s Responsibility for the Financial Statements*

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

### *Auditor’s Responsibility*

Our responsibility is to express 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. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Travelers Rest, South Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 42–48 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 City of Travelers Rest, South Carolina's basic financial statements. The budgetary comparison – proprietary fund information and the Schedule of Fines and Forfeiture Collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison – proprietary fund information and the Schedule of Fines and Forfeiture Collections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 on our consideration of the City'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*McGee & Company, LLP*

Greenville, South Carolina  
June 20, 2016

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

As management of the City of Travelers Rest (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2015 by \$6,016,428 (net position).
- At the close of the fiscal year ended June 30, 2015, the City's governmental funds reported combined ending fund balances of \$2,537,324, a decrease of \$1,491,994 in comparison with the prior year. This decrease is due to additional capital outlay for the new fire station.
- As of June 30, 2015, the General Fund's unrestricted, unassigned fund balance was \$1,679,280, or 46% of total General Fund expenditures.
- The total debt of the City of Travelers Rest decreased by \$298,105 (5.5 percent) during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 compensated absences).

**Government-wide Financial Statements (continued)** - Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included general government, local hospitality tax, local accommodations tax, debt service, and the firemen's relief fund. The business-type activities category includes the sewer system.

Government-wide financial statements can be found on pages 12-13 of this report.

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Proprietary Fund** - The city maintains a proprietary fund for the sewer system. The sewer system fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the sewer system fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The sewer system fund is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

**Notes to Basic 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. The notes to the basic financial statements can be found on pages 21-41 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. The required supplementary information consists of this management's discussion and analysis and the schedules of revenues, expenditures, and changes in fund balance - budget and actual for the general, hospitality, and local accommodations tax funds and the notes to required supplementary information. The required supplementary schedules and notes can be found on pages 42-48 of this report.

This report also presents other schedules and notes that are not required supplemental information. This information can be found on pages 49-51.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Travelers Rest, assets exceeded liabilities by \$6,016,428 as of June 30, 2015.

A portion of the City's net assets (95.8%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

**Condensed Net Position**

|   | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>        |                     | <u>Amount Change</u>  |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|-----------------------|
|   | <u>2015</u>                    | <u>2014</u>         | <u>2015</u>                     | <u>2014</u>         | <u>2015</u>         | <u>2014</u>         |                       |
| Current Assets                                  |                                |                     |                                 |                     |                     |                     |                       |
| Cash and investments                            | \$ 2,754,752                   | \$ 4,543,692        | \$ 403,301                      | \$ 312,122          | \$ 3,158,053        | \$ 4,855,814        | \$ (1,697,761)        |
| Receivables and prepaid expenses                | 89,536                         | 276,915             | 231,962                         | 227,565             | 321,498             | 504,480             | (182,982)             |
|   | <u>2,844,288</u>               | <u>4,820,607</u>    | <u>635,263</u>                  | <u>539,687</u>      | <u>3,479,551</u>    | <u>5,360,294</u>    | <u>(1,880,743)</u>    |
| Capital assets, net                             | <u>8,650,385</u>               | <u>7,134,874</u>    | <u>2,474,419</u>                | <u>2,618,883</u>    | <u>11,124,804</u>   | <u>9,753,757</u>    | <u>1,371,047</u>      |
| Total assets                                    | <u>11,494,673</u>              | <u>11,955,481</u>   | <u>3,109,682</u>                | <u>3,158,570</u>    | <u>14,604,355</u>   | <u>15,114,051</u>   | <u>(509,696)</u>      |
| Deferred outflows of resources                  | <u>282,648</u>                 | <u>-</u>            | <u>1,053</u>                    | <u>-</u>            | <u>283,701</u>      | <u>-</u>            | <u>283,701</u>        |
| Liabilities                                     |                                |                     |                                 |                     |                     |                     |                       |
| Current liabilities                             | 693,726                        | 1,100,328           | 56,895                          | 49,053              | 750,621             | 1,149,381           | (398,760)             |
| Long term liabilities                           | 7,404,468                      | 5,078,480           | 428,231                         | 417,474             | 7,832,699           | 5,495,954           | 2,336,745             |
|   | <u>8,098,194</u>               | <u>6,178,808</u>    | <u>485,126</u>                  | <u>466,527</u>      | <u>8,583,320</u>    | <u>6,645,335</u>    | <u>1,937,985</u>      |
| Deferred inflows of resources                   | <u>287,312</u>                 | <u>-</u>            | <u>996</u>                      | <u>-</u>            | <u>288,308</u>      | <u>-</u>            | <u>288,308</u>        |
| Net Position:                                   |                                |                     |                                 |                     |                     |                     |                       |
| Invested in capital assets, net of related debt | 3,752,890                      | 1,878,053           | 2,010,300                       | 2,108,116           | 5,763,190           | 3,986,169           | 1,777,021             |
| Restricted                                      | 639,165                        | 2,646,376           | 18,391                          | 48,557              | 657,556             | 2,694,933           | (2,037,377)           |
| Unrestricted                                    | <u>(1,000,240)</u>             | <u>1,252,244</u>    | <u>595,922</u>                  | <u>488,724</u>      | <u>(404,318)</u>    | <u>1,740,968</u>    | <u>(2,145,286)</u>    |
| Total net position                              | <u>\$ 3,391,815</u>            | <u>\$ 5,776,673</u> | <u>\$ 2,624,613</u>             | <u>\$ 2,645,397</u> | <u>\$ 6,016,428</u> | <u>\$ 8,422,070</u> | <u>\$ (2,405,642)</u> |

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.

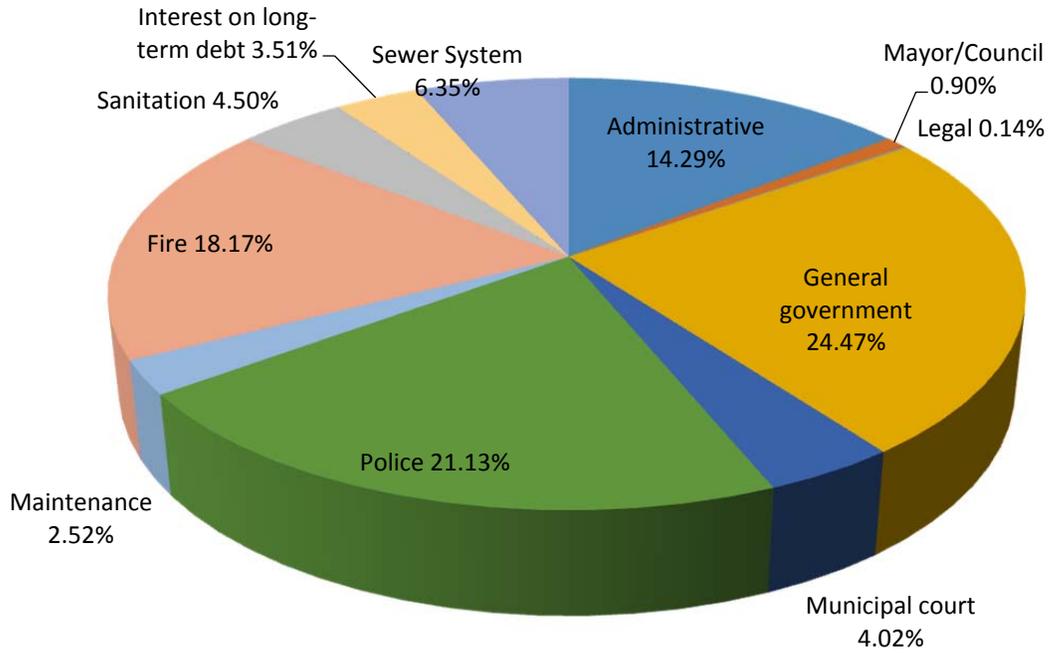
**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

**Governmental activities** – Governmental activities increased the City's net assets by \$309,675. Key elements in the changes in net assets activity are as follows:

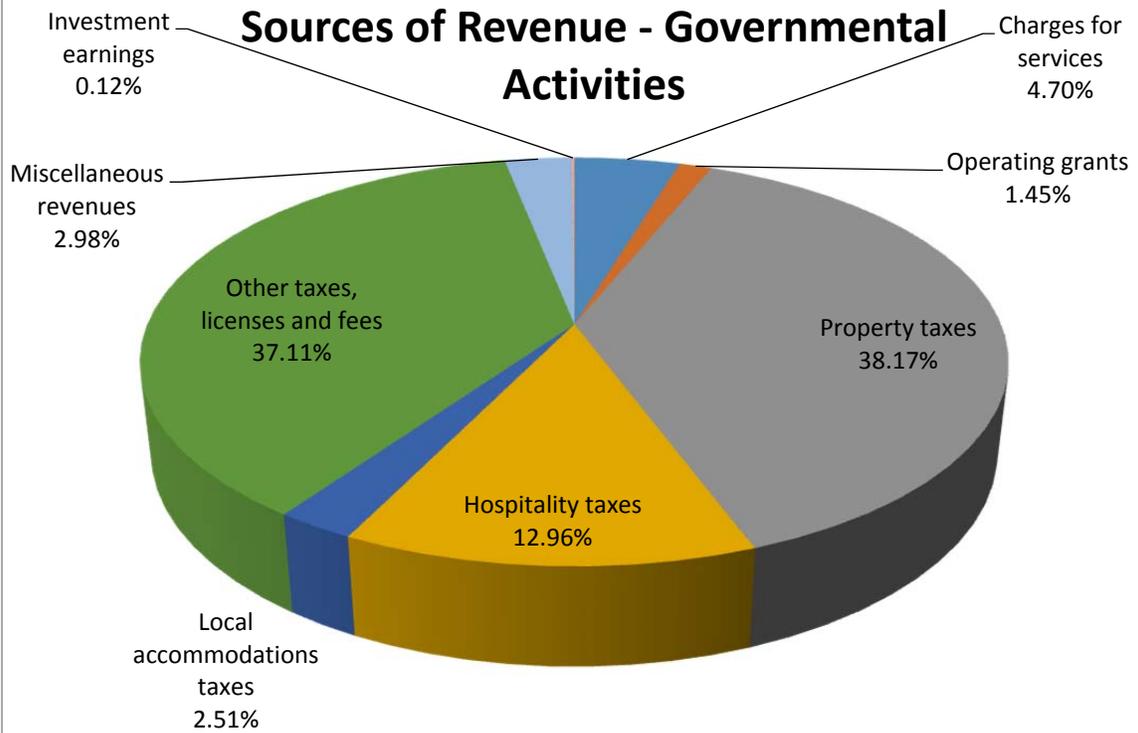
|   | <b>Governmental<br/>Activities</b> |                    | <b>Business-Type<br/>Activities</b> |                    | <b>Total</b>       |                    |
|---|------------------------------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|
|   | 2015                               | 2014               | 2015                                | 2014               | 2015               | 2014               |
| <b>Program revenues</b>                                   |                                    |                    |                                     |                    |                    |                    |
| Charges for services                                      | \$ 220,063                         | \$ 214,557         | \$ 287,059                          | \$ 276,024         | \$ 507,122         | \$ 490,581         |
| Operating grants and contributions - Restricted           | 67,684                             | 438,437            | -                                   | -                  | 67,684             | 438,437            |
| Investment earnings                                       | 5,723                              | 6,513              | 575                                 | -                  | 6,298              | 6,513              |
| <b>General revenues</b>                                   |                                    |                    |                                     |                    |                    |                    |
| Property taxes, levied for general purposes               | 1,786,573                          | 1,701,364          | -                                   | -                  | 1,786,573          | 1,701,364          |
| Accommodations taxes                                      | 117,342                            | 97,876             | -                                   | -                  | 117,342            | 97,876             |
| Hospitality taxes   | 606,541                            | 500,966            | -                                   | -                  | 606,541            | 500,966            |
| Other taxes licenses and fees                             | 1,736,753                          | 1,624,840          | -                                   | -                  | 1,736,753          | 1,624,840          |
| Other revenues  | 139,800                            | 1,695,987          | -                                   | -                  | 139,800            | 1,695,987          |
| <b>Total Revenues</b>                                     | <b>4,680,479</b>                   | <b>6,280,540</b>   | <b>287,634</b>                      | <b>276,024</b>     | <b>4,968,113</b>   | <b>6,556,564</b>   |
| <b>Program Expenses</b>                                   |                                    |                    |                                     |                    |                    |                    |
| General government  | 1,142,259                          | 1,536,191          | -                                   | -                  | 1,142,259          | 1,536,191          |
| Administrative  | 666,889                            | 311,857            | -                                   | -                  | 666,889            | 311,857            |
| Mayor Council   | 41,800                             | 41,466             | -                                   | -                  | 41,800             | 41,466             |
| Legal   | 6,434                              | 7,007              | -                                   | -                  | 6,434              | 7,007              |
| Municipal court   | 187,554                            | 110,388            | -                                   | -                  | 187,554            | 110,388            |
| Police department   | 986,142                            | 971,387            | -                                   | -                  | 986,142            | 971,387            |
| Fire department   | 848,148                            | 880,778            | -                                   | -                  | 848,148            | 880,778            |
| Public services   | 117,590                            | 104,194            | -                                   | -                  | 117,590            | 104,194            |
| Sanitation  | 210,251                            | 177,019            | -                                   | -                  | 210,251            | 177,019            |
| Interest  | 163,737                            | 168,014            | -                                   | -                  | 163,737            | 168,014            |
| Sewer system  | -                                  | -                  | 296,770                             | 260,254            | 296,770            | 260,254            |
| <b>Total Expenses</b>                                     | <b>4,370,804</b>                   | <b>4,308,301</b>   | <b>296,770</b>                      | <b>260,254</b>     | <b>4,667,574</b>   | <b>4,568,555</b>   |
| <b>Change in net position</b>                             | <b>309,675</b>                     | <b>1,972,239</b>   | <b>(9,136)</b>                      | <b>15,770</b>      | <b>300,539</b>     | <b>1,988,009</b>   |
| <b>Net position, beginning</b>                            | <b>5,776,673</b>                   | <b>3,804,434</b>   | <b>2,645,397</b>                    | <b>2,629,627</b>   | <b>8,422,070</b>   | <b>6,434,061</b>   |
| Cummulative effect of change in accounting method GASB 68 | (2,694,533)                        | -                  | (11,648)                            | -                  | (2,706,181)        | -                  |
| <b>Net position, ending</b>                               | <b>\$3,391,815</b>                 | <b>\$5,776,673</b> | <b>\$2,624,613</b>                  | <b>\$2,645,397</b> | <b>\$6,016,428</b> | <b>\$8,422,070</b> |

**CITY OF TRAVELERS REST, SOUTH CAROLINA  
Management's Discussion and Analysis**

**Government-wide Expenses by Activity**



**Sources of Revenue - Governmental Activities**



**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$2,537,324, a decrease of \$1,491,994 in comparison with the prior year, \$4,029,318. Approximately 74.8% of the combined fund balance, or \$1,898,159, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending or assigned.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,898,159. As a measure of the General Fund's liquidity, it may be useful to compare the general fund balance to total general fund expenditures. Unassigned fund balance represents 52.5% of total general fund expenditures.

Hospitality tax fund balance increased by \$158,371. Local accommodations tax fund balance decreased by \$123,952. This decrease was caused by disbursements to complete the amphitheater project. There were no budgeted increases or decreases for the Hospitality tax fund and the Local accommodations tax fund for the year ended June 30, 2015. Local accommodations tax fund balance decreased by \$123,952. Capital Projects fund balance decreased by \$1,740,705 as a result of additional disbursements to build the new fire station. Fireman's relief fund balance decreased by \$4,587.

**Proprietary Fund** - The City's sewer system fund is the sole proprietary fund. The proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets of the sewer fund were \$2,624,613, of which \$2,010,300 is invested in capital assets, net of related debt and \$18,391 is restricted for capital projects. The remaining \$595,922 is unrestricted.

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

**General Fund Budgetary Highlights** - The City passed a balanced budget in the general fund for the year. The actual general fund revenues were more than budgeted revenues by \$162,435. Expenditures came in \$56,444 under budgeted amounts. The following table summarizes budgeted revenues and expenditures for the general fund for the years ended June 30, 2015 and 2014:

|                            | <u>Budget</u>    |                  | <u>Actual</u>     |                  | <u>Variance</u>   |                  |
|----------------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|
|                            | <u>2015</u>      | <u>2014</u>      | <u>2015</u>       | <u>2014</u>      | <u>2015</u>       | <u>2014</u>      |
| <b>Revenues</b>            |                  |                  |                   |                  |                   |                  |
| Property taxes             | \$ 1,750,000     | \$ 1,730,000     | \$ 1,786,573      | \$ 1,702,395     | \$ 36,573         | \$ (27,605)      |
| Fee in Lieu                | 160,000          | 160,000          | 160,000           | 160,000          | -                 | -                |
| Accommodations tax         | 25,000           | 20,000           | 43,066            | 28,629           | 18,066            | 8,629            |
| Manufacturers tax          | 45,000           | 47,500           | 47,657            | 45,878           | 2,657             | (1,622)          |
| Merchants inventory tax    | 19,000           | 20,000           | 23,721            | 14,233           | 4,721             | (5,767)          |
| Telecommunications tax     | 27,000           | 29,000           | 21,412            | 26,701           | (5,588)           | (2,299)          |
| Business licenses          | 335,000          | 325,000          | 338,886           | 330,199          | 3,886             | 5,199            |
| Franchise taxes            | 530,000          | 515,000          | 596,349           | 555,687          | 66,349            | 40,687           |
| Insurance fees             | 520,000          | 520,000          | 509,028           | 453,142          | (10,972)          | (66,858)         |
| Building permits           | 40,000           | 52,000           | 46,105            | 47,740           | 6,105             | (4,260)          |
| Fines and forfeitures      | 70,000           | 80,000           | 73,791            | 67,521           | 3,791             | (12,479)         |
| Investment income          | 2,000            | 2,500            | 1,936             | 1,873            | (64)              | (627)            |
| Aid to subdivisions        | 95,000           | 85,000           | 100,167           | 99,296           | 5,167             | 14,296           |
| Rental income              | -                | 35,000           | -                 | 41,513           | -                 | 6,513            |
| Public works fee           | 36,000           | 32,800           | 39,700            | 39,000           | 3,700             | 6,200            |
| Other income               | 15,000           | 5,000            | 43,044            | 63,418           | 28,044            | 58,418           |
| <b>Total revenues</b>      | <u>3,669,000</u> | <u>3,658,800</u> | <u>3,831,435</u>  | <u>3,677,225</u> | <u>162,435</u>    | <u>18,425</u>    |
| <b>Expenditures</b>        |                  |                  |                   |                  |                   |                  |
| Administrative             | 234,100          | 224,900          | 234,083           | 217,651          | 17                | 7,249            |
| Mayor/Council              | 45,800           | 42,150           | 41,800            | 41,466           | 4,000             | 684              |
| Legal                      | 3,000            | 2,500            | 6,434             | 7,007            | (3,434)           | (4,507)          |
| General government         | 942,000          | 907,600          | 938,393           | 970,847          | 3,607             | (63,247)         |
| Municipal court            | 162,300          | 154,800          | 187,554           | 110,388          | (25,254)          | 44,412           |
| Police                     | 926,400          | 918,200          | 870,049           | 844,040          | 56,351            | 74,160           |
| Maintenance                | 115,900          | 117,350          | 117,590           | 104,194          | (1,690)           | 13,156           |
| Fire department            | 769,300          | 735,800          | 746,437           | 753,382          | 22,863            | (17,582)         |
| Sanitation                 | 194,000          | 196,500          | 188,330           | 177,019          | 5,670             | 19,481           |
| Capital outlays            | 88,900           | 190,000          | 94,949            | 214,265          | (6,049)           | (24,265)         |
| Payments on long term debt | 187,300          | 169,000          | 186,937           | 168,014          | 363               | 986              |
| <b>Total expenditures</b>  | <u>3,669,000</u> | <u>3,658,800</u> | <u>3,612,556</u>  | <u>3,608,273</u> | <u>56,444</u>     | <u>50,527</u>    |
| <b>Excess (deficiency)</b> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 218,879</u> | <u>\$ 68,952</u> | <u>\$ 218,879</u> | <u>\$ 68,952</u> |

The above budget to actual comparisons reflects the non-GAAP budgetary basis of accounting.

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

**CAPITAL ASSETS**

The City's investment in capital assets for its government-wide activities as of June 30, 2015, amounts to \$11,124,803 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Construction in progress for the new fire station totaling approximately \$1,745,600.
- Disbursements for the amphitheater project totaling approximately \$214,400.
- Police and Fire vehicles and equipment totaling approximately \$65,600.
- Disbursements for the Center Street parking lot of about \$58,200.

**Capital Assets**  
**Net of Accumulated Depreciation**

|                                     | <b>Governmental activities</b> |                     | <b>Business-type activities</b> |                     | <b>Total</b>         |                     |
|-------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|---------------------|
|                                     | <b>2015</b>                    | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>         | <b>2015</b>          | <b>2014</b>         |
| <b>Non-depreciable assets:</b>      |                                |                     |                                 |                     |                      |                     |
| Land                                | \$ 928,518                     | \$ 928,518          | \$ -                            | \$ -                | \$ 928,518           | \$ 928,518          |
| Construction in progress            | 2,251,232                      | 363,019             | -                               | -                   | 2,251,232            | 363,019             |
| <b>Depreciable assets:</b>          |                                |                     |                                 |                     |                      |                     |
| Building & Improvements             | 2,237,250                      | 2,038,491           | -                               | -                   | 2,237,250            | 2,038,491           |
| Improvements (Downtown Streetscape) | 2,926,518                      | 3,472,502           | -                               | -                   | 2,926,518            | 3,472,502           |
| Sewer system                        | -                              | -                   | 2,474,418                       | 2,618,883           | 2,474,418            | 2,618,883           |
| Equipment                           | 99,797                         | 119,333             | -                               | -                   | 99,797               | 119,333             |
| Vehicles                            | 105,797                        | 84,897              | -                               | -                   | 105,797              | 84,897              |
| Furniture and fixtures              | 11,347                         | 15,345              | -                               | -                   | 11,347               | 15,345              |
| Intangibles                         | 89,926                         | 112,769             | -                               | -                   | 89,926               | 112,769             |
| <b>Total</b>                        | <b>\$ 8,650,385</b>            | <b>\$ 7,134,874</b> | <b>\$ 2,474,418</b>             | <b>\$ 2,618,883</b> | <b>\$ 11,124,803</b> | <b>\$ 9,753,757</b> |

Additional information on the City's capital assets can be found in the notes to the basic financial statements (see Note 7).

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had total long term obligations of \$7,832,699. Of this amount, \$1,539,080 is general obligation debt to be paid from the general operating fund and \$3,062,740 comprises revenue bonds to be repaid from local hospitality tax revenues. Net pension liability represents \$2,713,631 of total long term obligations. The remaining \$416,417 represents \$190,310 in bonded debt and an additional \$226,107 in long term debt, both to be repaid from sewer revenues. The obligation for future employee compensated absences is estimated at \$100,831.

Additional information on the City's long-term obligations can be found in the notes to the basic financial statements (see Note 8).

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In the fiscal year 2016 budget, general fund revenues are budgeted to increase by 2.83% which is up from the 2015 budgeted increase of .28%. General fund property taxes make up about 47% of general fund budgeted revenues and are projected to increase around 1% from fiscal year 2015 actual property tax revenues. Budgeted revenues for the sewer system fund in fiscal year 2016 are projected to increase about 10% from fiscal year 2015

**CITY OF TRAVELERS REST, SOUTH CAROLINA**  
**Management's Discussion and Analysis**

actual revenues. The local hospitality tax fund and local accommodations tax fund revenues are projected to increase, while the revenues over(under) expenditures is projected to remain at break-even for fiscal year ending June 30, 2016.

**REQUEST FOR INFORMATION**

This report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about the report or need additional financial information, please contact the City's Administrator at 6711 State Park Road, Travelers Rest, S.C. 29690, or call 864-834-7958.

**City of Travelers Rest**  
**Statement of Net Position**  
**June 30, 2015**

|   | <b>Primary Government</b>          |                                     |                      |
|---|------------------------------------|-------------------------------------|----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
| <b>Assets</b>   |                                    |                                     |                      |
| Cash and Investments - Unrestricted                                       | \$ 2,056,144                       | \$ 384,910                          | \$ 2,441,054         |
| Cash and Investments - Restricted   | 698,608                            | 18,391                              | 716,999              |
| Property Taxes Receivable, Net of Allowances                              | 47,551                             |                                     | 47,551               |
| Accounts Receivable   | 226,504                            | 26,796                              | 253,300              |
| Prepaid Expenses  | 2,849                              | 17,798                              | 20,647               |
| Interfund Balances  | (187,368)                          | 187,368                             | -                    |
| Noncurrent Assets:  |                                    |                                     |                      |
| Capital Assets not Being Depreciated                                      | 3,179,750                          |                                     | 3,179,750            |
| Capital Assets Being Depreciated, Net of<br>Accumulated Depreciation      | 5,470,635                          | 2,474,419                           | 7,945,054            |
| <b>Total Assets</b>   | <b>\$ 11,494,673</b>               | <b>\$ 3,109,682</b>                 | <b>\$ 14,604,355</b> |
| <b>Deferred Outflows of Resources</b>                                     |                                    |                                     |                      |
| Deferred Net Pension Obligation (Net)                                     | \$ 282,648                         | \$ 1,053                            | \$ 283,701           |
| <b>Liabilities</b>  |                                    |                                     |                      |
| Accounts Payable and Accrued Expenses                                     | \$ 179,624                         | \$ 9,190                            | \$ 188,814           |
| Accounts Payable and Accrued Expenses -<br>Payable from Restricted Assets | 104,662                            | -                                   | 104,662              |
| Unearned Revenue  | 12,178                             | -                                   | 12,178               |
| Long-term Liabilities:  |                                    |                                     |                      |
| Due Within One Year   |                                    |                                     |                      |
| Accrued Compensated Absences  | 61,799                             | -                                   | 61,799               |
| Bonds Payable   | 327,305                            | 30,663                              | 357,968              |
| Loan Payable  | 8,158                              | 17,042                              | 25,200               |
| Due in More Than One Year   |                                    |                                     |                      |
| Accrued Compensated Absences  | 100,831                            | -                                   | 100,831              |
| Bonds Payable   | 4,570,190                          | 190,311                             | 4,760,501            |
| Loan Payable  | 31,630                             | 226,106                             | 257,736              |
| Net Pension Liability   | 2,701,817                          | 11,814                              | 2,713,631            |
| <b>Total Liabilities</b>  | <b>\$ 8,098,194</b>                | <b>\$ 485,126</b>                   | <b>\$ 8,583,320</b>  |
| <b>Deferred Inflows of Resources</b>                                      |                                    |                                     |                      |
| Deferred Net Pension Obligation (Net)                                     | 287,312                            | 996                                 | 288,308              |
| <b>Net Position</b>   |                                    |                                     |                      |
| Net Investment in Capital Assets  | 3,752,890                          | 2,010,300                           | 5,763,190            |
| Restricted For:   |                                    |                                     |                      |
| Capital Projects  | 15,005                             | 18,391                              | 33,396               |
| Recreation and Tourism  | 622,640                            |                                     | 622,640              |
| Other Purposes  | 1,520                              |                                     | 1,520                |
| Unrestricted  | (1,000,240)                        | 595,922                             | (404,318)            |
| <b>Total Net Position</b>   | <b>\$ 3,391,815</b>                | <b>\$ 2,624,613</b>                 | <b>\$ 6,016,428</b>  |

*The notes to the basic financial statements are an integral part of this statement.*

**City of Travelers Rest  
Statement of Activities  
For the Year Ended June 30, 2015**

| Functions/Programs  | Program Revenues    |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|---|---------------------|----------------------|------------------------------------|---|--------------------------|-----------------------|
|   | Expenses            | Charges for Services | Operating Grants and Contributions | Primary Government                                |                          | Total                 |
|   |                     |                      |                                    | Governmental Activities                           | Business-Type Activities |                       |
| <b>Governmental Activities:</b>                                 |                     |                      |                                    |   |                          |                       |
| Administrative  | \$ 666,889          |                      |                                    | \$ (666,889)                                      |                          | \$ (666,889)          |
| Mayor/Council   | 41,800              |                      |                                    | (41,800)  |                          | (41,800)              |
| Legal   | 6,434               |                      |                                    | (6,434)   |                          | (6,434)               |
| General Government  | 1,142,259           | \$ 146,272           | \$ 67,684                          | (928,303)   |                          | (928,303)             |
| Municipal Court   | 187,554             | 73,791               |                                    | (113,763)   |                          | (113,763)             |
| Police  | 986,142             |                      |                                    | (986,142)   |                          | (986,142)             |
| Maintenance   | 117,590             |                      |                                    | (117,590)   |                          | (117,590)             |
| Fire  | 848,148             |                      |                                    | (848,148)   |                          | (848,148)             |
| Sanitation  | 210,251             |                      |                                    | (210,251)   |                          | (210,251)             |
| Interest on Long-term Liabilities                               | 163,737             |                      |                                    | (163,737)   |                          | (163,737)             |
| <b>Total Governmental Activities</b>                            | <b>4,370,804</b>    | <b>220,063</b>       | <b>67,684</b>                      | <b>(4,083,057)</b>                                | <b>-</b>                 | <b>(4,083,057)</b>    |
| <b>Business-Type Activities:</b>                                |                     |                      |                                    |   |                          |                       |
| Sewer System  | 296,770             | 287,634              |                                    |   | \$ (9,136)               | (9,136)               |
| <b>Total Business-Type Activities</b>                           | <b>296,770</b>      | <b>287,634</b>       | <b>-</b>                           | <b>-</b>  | <b>(9,136)</b>           | <b>(9,136)</b>        |
| <b>Total Primary Government</b>                                 | <b>\$ 4,667,574</b> | <b>\$ 507,697</b>    | <b>\$ 67,684</b>                   | <b>\$ (4,083,057)</b>                             | <b>\$ (9,136)</b>        | <b>\$ (4,092,193)</b> |
| <b>General Revenues:</b>  |                     |                      |                                    |   |                          |                       |
| Taxes:  |                     |                      |                                    |   |                          |                       |
| Property Taxes, Levied for General Purposes                     |                     |                      |                                    | 1,786,573   |                          | 1,786,573             |
| Accommodations Taxes  |                     |                      |                                    | 117,342   |                          | 117,342               |
| Hospitality Taxes   |                     |                      |                                    | 606,541   |                          | 606,541               |
| Other Taxes, Licenses and Fees                                  |                     |                      |                                    | 1,736,753   |                          | 1,736,753             |
| Unrestricted Investment Earnings                                |                     |                      |                                    | 5,723   | -                        | 5,723                 |
| Other Revenue   |                     |                      |                                    | 71,189  |                          | 71,189                |
| Miscellaneous   |                     |                      |                                    | 68,611  |                          | 68,611                |
| <b>Total General Revenues and Transfers</b>                     |                     |                      |                                    | <b>4,392,732</b>                                  | <b>-</b>                 | <b>4,392,732</b>      |
| <b>Change in Net Position</b>                                   |                     |                      |                                    | <b>\$ 309,675</b>                                 | <b>\$ (9,136)</b>        | <b>\$ 300,539</b>     |
| <b>Net Position, Beginning of Year - As Previously Reported</b> |                     |                      |                                    | 5,776,673   | 2,645,397                | 8,422,070             |
| Cumulative Effect of Change in Accounting Principle - GASB 68   |                     |                      |                                    | (2,694,533)                                       | (11,648)                 | (2,706,181)           |
| <b>Net Position, Beginning of Year - As Restated</b>            |                     |                      |                                    | <b>3,082,140</b>                                  | <b>2,633,749</b>         | <b>5,715,889</b>      |
| <b>Net Position - Ending</b>                                    |                     |                      |                                    | <b>\$ 3,391,815</b>                               | <b>\$ 2,624,613</b>      | <b>\$ 6,016,428</b>   |

**City of Travelers Rest  
Governmental Funds  
Balance Sheet  
June 30, 2015**

|   | <u>General<br/>Fund</u> | <u>Hospitality<br/>Tax Fund</u> | <u>Accommodations<br/>Tax Fund</u> | <u>Capital Projects<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|---------------------------------|------------------------------------|----------------------------------|---|---|
| <b>Assets</b>                               |                         |                                 |                                    |                                  |   |   |
| Cash and Investments                        | \$ 2,056,144            | \$ -                            | \$ -                               | \$ -                             | \$ -                                    | \$ 2,056,144                            |
| Property Taxes Receivable, Net of Allowance | 47,551                  | -                               | -                                  | -                                | -                                       | 47,551                                  |
| Accounts Receivable                         | 167,157                 | 51,216                          | 8,131                              | -                                | -                                       | 226,504                                 |
| Prepaid Expense                             | -                       | -                               | 2,849                              | -                                | -                                       | 2,849                                   |
| Restricted Assets:                          |                         |                                 |                                    |                                  |   |   |
| Cash and Cash Equivalents                   | 104,662                 | 497,845                         | 78,376                             | 15,005                           | 2,720                                   | 698,608                                 |
| <b>Total Assets</b>                         | <u>\$ 2,375,514</u>     | <u>\$ 549,061</u>               | <u>\$ 89,356</u>                   | <u>\$ 15,005</u>                 | <u>\$ 2,720</u>                         | <u>\$ 3,031,656</u>                     |
| <b>Liabilities and Fund Balances</b>        |                         |                                 |                                    |                                  |   |   |
| <b>Liabilities</b>                          |                         |                                 |                                    |                                  |   |   |
| Accounts Payable and Accrued Expenses       | 184,847                 | 10,778                          | 4,999                              | -                                | -                                       | 200,624                                 |
| Deferred Revenue                            | 1,678                   | -                               | -                                  | -                                | -                                       | 1,678                                   |
| Interfund Balances                          | 186,168                 | 3,310                           | (3,310)                            | -                                | 1,200                                   | 187,368                                 |
| Liabilities Payable from Restricted Assets: |                         |                                 |                                    |                                  |   |   |
| Accounts Payable and Accrued Expenses       | 104,662                 | -                               | -                                  | -                                | -                                       | 104,662                                 |
| <b>Total Liabilities</b>                    | <u>477,355</u>          | <u>14,088</u>                   | <u>1,689</u>                       | <u>-</u>                         | <u>1,200</u>                            | <u>494,332</u>                          |
| <b>Fund Balances</b>                        |                         |                                 |                                    |                                  |   |   |
| Restricted for:                             |                         |                                 |                                    |                                  |   |   |
| Recreation and Tourism                      | -                       | 534,973                         | 87,667                             | -                                | -                                       | 622,640                                 |
| Debt Service                                | -                       | -                               | -                                  | -                                | -                                       | -                                       |
| Capital Projects                            | -                       | -                               | -                                  | 15,005                           | -                                       | 15,005                                  |
| Other Purposes                              | -                       | -                               | -                                  | -                                | 1,520                                   | 1,520                                   |
| Unassigned                                  | 1,898,159               | -                               | -                                  | -                                | -                                       | 1,898,159                               |
| <b>Total Fund Balances</b>                  | <u>1,898,159</u>        | <u>534,973</u>                  | <u>87,667</u>                      | <u>15,005</u>                    | <u>1,520</u>                            | <u>2,537,324</u>                        |
| <b>Total Liabilities and Fund Balances</b>  | <u>\$ 2,375,514</u>     | <u>\$ 549,061</u>               | <u>\$ 89,356</u>                   | <u>\$ 15,005</u>                 | <u>\$ 2,720</u>                         | <u>\$ 3,031,656</u>                     |

*The notes to the basic financial statements are an integral part of this statement.*

**City of Travelers Rest**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**For The Year Ended June 30, 2015**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

**Total Governmental Fund Balances** \$ 2,537,324

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. *This is the amount that the cost of the assets exceeds the accumulated depreciation.*

|                                 |                    |           |
|---------------------------------|--------------------|-----------|
| <i>Cost of Assets</i>           | \$ 13,346,372      |           |
| <i>Accumulated Depreciation</i> | <u>(4,695,987)</u> | 8,650,385 |

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

|                                     |                  |             |
|-------------------------------------|------------------|-------------|
| <i>Bonds Payable</i>                | (4,937,283)      |             |
| <i>Net Pension Liability</i>        | (2,701,817)      |             |
| <i>Accrued Compensated Absences</i> | <u>(162,630)</u> | (7,801,730) |

Deferred revenue (property tax revenues recognized in the statement of activities that are collected after sixty days subsequent to the close of the fiscal year) is not considered to be an available financial resource.

10,500

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

|   |                  |         |
|---|------------------|---------|
| <i>Deferred outflows of resources related to pensions</i> | 282,648          |         |
| <i>Deferred inflows of resources related to pensions</i>  | <u>(287,312)</u> | (4,664) |

**Net Position of Governmental Activities:** **\$ 3,391,815**

*The notes to the basic financial statements are an integral part of this statement.*

**City of Travelers Rest  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2015**

|  | General<br>Fund     | Hospitality<br>Tax Fund | Accommodations<br>Tax Fund | Capital Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|----------------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                     |                         |                            |                          |                                |                                |
| Property Taxes                                       | \$ 1,786,573        | \$ -                    | \$ -                       | \$ -                     | \$ -                           | \$ 1,786,573                   |
| Accommodations Tax                                   | 43,066              | -                       | 74,276                     | -                        | -                              | 117,342                        |
| Manufacturers Tax                                    | 47,657              | -                       | -                          | -                        | -                              | 47,657                         |
| Merchant's Inventory Tax                             | 23,721              | -                       | -                          | -                        | -                              | 23,721                         |
| Telecommunications Tax                               | 21,412              | -                       | -                          | -                        | -                              | 21,412                         |
| Business Licenses                                    | 338,886             | -                       | -                          | -                        | -                              | 338,886                        |
| Fee in Lieu  | 160,000             | -                       | -                          | -                        | -                              | 160,000                        |
| Franchise Taxes (Fees)                               | 596,349             | -                       | -                          | -                        | -                              | 596,349                        |
| Insurance Fees                                       | 509,028             | -                       | -                          | -                        | -                              | 509,028                        |
| Building Permits and Inspection Fees                 | 46,105              | -                       | -                          | -                        | -                              | 46,105                         |
| Fines and Forfeitures                                | 73,791              | -                       | -                          | -                        | -                              | 73,791                         |
| Investment Income                                    | 1,936               | 1,269                   | 613                        | 1,894                    | 11                             | 5,723                          |
| Rental Income  | -                   | -                       | -                          | -                        | -                              | -                              |
| Aid to Subdivisions                                  | 100,167             | -                       | -                          | -                        | -                              | 100,167                        |
| Hospitality Tax                                      | -                   | 606,541                 | -                          | -                        | -                              | 606,541                        |
| Grants   | -                   | 67,684                  | -                          | -                        | -                              | 67,684                         |
| Bond Proceeds  | -                   | -                       | -                          | -                        | -                              | -                              |
| Proceeds from Sale of Lease                          | -                   | -                       | -                          | -                        | -                              | -                              |
| Public Works Fees                                    | 39,700              | -                       | -                          | -                        | -                              | 39,700                         |
| Other Income   | 43,044              | 12,598                  | -                          | 3,000                    | 9,969                          | 68,611                         |
| <b>Total Revenues</b>                                | <b>\$ 3,831,435</b> | <b>\$ 688,092</b>       | <b>\$ 74,889</b>           | <b>\$ 4,894</b>          | <b>\$ 9,980</b>                | <b>\$ 4,609,290</b>            |
| <b>Expenditures</b>                                  |                     |                         |                            |                          |                                |                                |
| <b>Current:</b>                                      |                     |                         |                            |                          |                                |                                |
| Administrative                                       | 234,083             | 136,996                 | 31,913                     | -                        | 14,567                         | 417,559                        |
| Mayor/Council  | 41,800              | -                       | -                          | -                        | -                              | 41,800                         |
| Legal  | 6,434               | -                       | -                          | -                        | -                              | 6,434                          |
| General Government                                   | 938,393             | -                       | -                          | -                        | -                              | 938,393                        |
| Municipal Court                                      | 187,554             | -                       | -                          | -                        | -                              | 187,554                        |
| Police   | 870,049             | -                       | -                          | -                        | -                              | 870,049                        |
| Maintenance  | 117,590             | -                       | -                          | -                        | -                              | 117,590                        |
| Fire   | 746,437             | -                       | -                          | -                        | -                              | 746,437                        |
| Sanitation   | 188,330             | -                       | -                          | -                        | -                              | 188,330                        |
| <b>Debt Service</b>                                  |                     |                         |                            |                          |                                |                                |
| Principal  | 141,370             | 178,168                 | -                          | -                        | -                              | 319,538                        |
| Interest   | 45,567              | 118,170                 | -                          | -                        | -                              | 163,737                        |
| <b>Capital Outlay</b>                                | <b>94,949</b>       | <b>96,387</b>           | <b>166,928</b>             | <b>1,745,599</b>         | <b>-</b>                       | <b>2,103,863</b>               |
| <b>Total Expenditures</b>                            | <b>\$ 3,612,556</b> | <b>\$ 529,721</b>       | <b>\$ 198,841</b>          | <b>\$ 1,745,599</b>      | <b>\$ 14,567</b>               | <b>\$ 6,101,284</b>            |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 218,879             | 158,371                 | (123,952)                  | (1,740,705)              | (4,587)                        | (1,491,994)                    |
| <b>Other Financing Sources (Uses)</b>                |                     |                         |                            |                          |                                |                                |
| Transfers In   | -                   | -                       | -                          | -                        | -                              | -                              |
| Transfers Out  | -                   | -                       | -                          | -                        | -                              | -                              |
| <b>Total Other Financing Sources (Uses)</b>          | <b>-</b>            | <b>-</b>                | <b>-</b>                   | <b>-</b>                 | <b>-</b>                       | <b>-</b>                       |
| <b>Net Change in Fund Balances</b>                   | <b>\$ 218,879</b>   | <b>\$ 158,371</b>       | <b>\$ (123,952)</b>        | <b>\$ (1,740,705)</b>    | <b>\$ (4,587)</b>              | <b>\$ (1,491,994)</b>          |
| <b>Fund Balance, Beginning of Year</b>               | <b>1,679,280</b>    | <b>376,602</b>          | <b>211,619</b>             | <b>1,755,710</b>         | <b>6,107</b>                   | <b>4,029,318</b>               |
| <b>Fund Balance, Ending of Year</b>                  | <b>\$ 1,898,159</b> | <b>\$ 534,973</b>       | <b>\$ 87,667</b>           | <b>\$ 15,005</b>         | <b>\$ 1,520</b>                | <b>\$ 2,537,324</b>            |

The notes to the basic financial statements are an integral part of this statement.

**City of Travelers Rest**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**In Fund Balance of Governmental Funds to the Statement of Activities**  
**For The Year Ended June 30, 2015**

Amounts Reported for the Governmental Activities in the Statement of Activities are Different Because:

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,491,994)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. *This is the amount by which depreciation expense exceeded capital outlays in the current period.*

|  |                  |           |
|--|------------------|-----------|
| <i>Cost of Assets</i>                                  | \$ 2,004,567     |           |
| <i>Less Current Year Amortization and Depreciation</i> | <u>(489,055)</u> | 1,515,512 |

|   |           |         |
|---|-----------|---------|
| Capital leases and bonds payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of capital leases and bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded principal repayments in the current period. | 2,004,566 |         |
|   |           | 319,538 |

The change in compensated absences reported in the statement of activities does not require the use of current financial resources, and therefore, is not reported as an expenditure/revenue in the governmental funds. *This is the amount that compensated absences at the end of the prior year exceeded the compensated absences at the end of the current year.*

|   |                |          |
|---|----------------|----------|
| <i>Compensated Absences - End of Current Year</i> | (162,630)      |          |
| <i>Compensated Absences - End of Prior Year</i>   | <u>141,197</u> | (21,433) |

|  |  |                 |
|--|--|-----------------|
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense. |  | <u>(11,948)</u> |
|--|--|-----------------|

|  |  |                          |
|--|--|--------------------------|
| <b>Change in Net Position of Governmental Activities</b> |  | <u><u>\$ 309,675</u></u> |
|--|--|--------------------------|

*The notes to the basic financial statements are an integral part of this statement.*

**City of Travelers Rest  
Proprietary Fund  
Statement of Net Position  
June 30, 2015**

**Assets**

**Current Assets**

|                     |                |
|---------------------|----------------|
| Cash - Unrestricted | \$ 384,910     |
| Cash - Restricted   | 18,391         |
| Accounts Receivable | 26,796         |
| Prepaid Expenses    | 17,798         |
| Interfund Balances  | <u>187,368</u> |

|                             |                |
|-----------------------------|----------------|
| <b>Total Current Assets</b> | <u>635,263</u> |
|-----------------------------|----------------|

|   |                  |
|---|------------------|
| Capital Assets, Net of Accumulated Depreciation | <u>2,474,419</u> |
|---|------------------|

|                     |                     |
|---------------------|---------------------|
| <b>Total Assets</b> | <u>\$ 3,109,682</u> |
|---------------------|---------------------|

**Deferred Outflows of Resources**

|                                       |                 |
|---------------------------------------|-----------------|
| Deferred Net Pension Obligation (Net) | <u>\$ 1,053</u> |
|---------------------------------------|-----------------|

**Liabilities**

**Current Liabilities**

|                                  |               |
|----------------------------------|---------------|
| Accounts Payable                 | \$ 9,190      |
| Current Portion of Bonds Payable | 30,663        |
| Current Portion of Loan Payable  | <u>17,042</u> |

|                                  |               |
|----------------------------------|---------------|
| <b>Total Current Liabilities</b> | <u>56,895</u> |
|----------------------------------|---------------|

|                                     |               |
|-------------------------------------|---------------|
| Bonds Payable, Less Current Portion | 190,311       |
| Loan Payable, Less Current Portion  | 226,106       |
| Net Pension Liability               | <u>11,814</u> |

|                          |                   |
|--------------------------|-------------------|
| <b>Total Liabilities</b> | <u>\$ 485,126</u> |
|--------------------------|-------------------|

**Deferred Inflows of Resources**

|                                       |               |
|---------------------------------------|---------------|
| Deferred Net Pension Obligation (Net) | <u>\$ 996</u> |
|---------------------------------------|---------------|

**Net Position**

|                                  |                |
|----------------------------------|----------------|
| Net Investment in Capital Assets | 2,010,300      |
| Restricted for Capital Projects  | 18,391         |
| Unrestricted                     | <u>595,922</u> |

|                           |                     |
|---------------------------|---------------------|
| <b>Total Net Position</b> | <u>\$ 2,624,613</u> |
|---------------------------|---------------------|

*The notes to the basic financial statements are an integral part of this statement.*

**City of Travelers Rest  
Proprietary Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2015**

|   | <b>Enterprise Fund -<br/>Sewer System</b> |
|---|---|
| <b>Operating Revenues</b>                                       |   |
| Charges for Services  |   |
| Sewer Service Collection Fees                                   | \$ 255,643                                |
| Sewer Tap Fees  | 6,800                                     |
| Sewer Impact Fees   | 20,541                                    |
| WCRSA Sewer Impact Fee  | 4,500                                     |
| Engineer Evaluation Fee   | 150                                       |
|   | 287,634                                   |
| <b>Total Operating Revenues</b>                                 | <b>287,634</b>                            |
| <b>Operating Expenses</b>                                       |   |
| Maintenance and Repairs:  |   |
| Blockage  | 7,675                                     |
| General   | 2,200                                     |
| Engineering   | 32,018                                    |
| Pump Station  | 35,238                                    |
| ROW Clearance   | 4,945                                     |
| Sewer Rehabilitation  | 13,686                                    |
| Engineering - EPA   | 12,805                                    |
| Salaries  | 21,109                                    |
| Depreciation  | 156,569                                   |
|   | 286,245                                   |
| <b>Total Operating Expenses</b>                                 | <b>286,245</b>                            |
| <b>Operating Income (Loss)</b>                                  | <b>1,389</b>                              |
| <b>Non-Operating Revenues (Expenses)</b>                        |   |
| Investment Earnings   | 575                                       |
| Interest on Long-term Debt                                      | (11,100)                                  |
|   | (10,525)                                  |
| <b>Total Non-Operating Revenues</b>                             | <b>(10,525)</b>                           |
| <b>Net Income Before Transfers</b>                              | <b>(9,136)</b>                            |
| Transfers In (Out)  | -   |
| <b>Change in Net Position</b>                                   | <b>(9,136)</b>                            |
| <b>Net Position, Beginning of Year - As Previously Reported</b> | 2,645,397                                 |
| Cumulative Effect of Change in Accounting Principle - GASB 68   | (11,648)                                  |
|   | 2,633,749                                 |
| <b>Net Position, Beginning of Year (Restated)</b>               | <b>2,633,749</b>                          |
| <b>Net Position, End of Year</b>                                | <b>\$ 2,624,613</b>                       |

*The notes to the basic financial statements are an integral part of this statement.*

CITY OF TRAVELERS REST, SOUTH CAROLINA  
Notes to the Basic Financial

The financial statements of the City of Travelers Rest, South Carolina (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Generally accepted accounting principles for local governments include those principles prescribed by the GASB, guidance found in the American Institute of Certified Public Accountants' audit and accounting guide, States and Local Governments, and other relevant literature.

The City has implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements, and thus the City applies all applicable GASB pronouncements.

*The Reporting Entity*

Pursuant to governmental accounting principles generally accepted in the United States of America, in evaluating the City as a reporting entity, management must consider all potential component units. The decision to include any potential component units in the City's reporting entity was based on the following criteria:

The City's financial accountability for the potential component unit was considered. The City is financially accountable if it appoints a voting majority of the governing board of the potential component unit and (1) it is able to impose its will on the potential component unit or (2) a financial benefit/burden relationship exists between the City and the potential component unit.

The potential component unit's fiscal dependence on the City was considered.

The nature and significance of the relationship between the City and the potential component unit was considered to determine whether exclusion of the potential component unit from the reporting entity would render the City's financial statements misleading or incomplete.

Based on the above criteria, management has determined that there are no potential component units eligible for inclusion in the City's financial statements.

*Basis of Presentation:*

The government-wide financial statements, comprised of the Statement of Net Position and the Statement of Activities, report aggregated information on the overall government for all activities of the City's primary government. The primary government is reported in two columns to separately report governmental activities from business-type activities.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the government-wide statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances due to and due from these different types of activities within the primary government.

In the government-wide financial statements, governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods and services and are reported in enterprise funds. The Statement of Activities presents direct expenses of a given function or identifiable activity offset by related program revenues for the fiscal reporting period. The resulting net expense or

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

revenue is then totaled and offset by general revenues, producing the aggregate change in net assets for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other non-exchange items not properly included among program revenues are reported as general revenues.

The fund financial statements report transactions related to certain functions or activities in separate funds in order to aid financial management and to comply with certain restrictions of the funds. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The City reports the following major governmental funds:

### *General Fund*

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for and reported in another fund. The primary revenue sources are property taxes and state-shared revenues. The primary expenditures are for police, general government, fire, administrative, municipal court and sanitation services.

### *Hospitality Tax Fund*

This fund accounts for collection of two percent local restaurant tax receipts that are restricted for recreation and tourism expenditures.

### *Accommodations Tax Fund*

This fund accounts for collection of three percent local accommodations tax collected from receipts from boarding or hotel establishments with more than six beds. These monies are restricted for tourism related expenditures.

### *Capital Projects Fund*

This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary funds account for a government's ongoing organizations and activities that are similar to those found in the private sector. Proprietary funds consist of two types — enterprise funds and internal service funds. The City has no internal service funds, but reports the following major proprietary enterprise fund:

### *Enterprise Fund — Sewer System Fund*

This fund is used to account for the provision of sewer services to the residents of the City.

### *Measurement Focus/Basis of Accounting*

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned or, for property tax revenues, in the period for which levied. Expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are susceptible to accrual, or when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the governmental funds financial statements, expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences and claims and judgments are recognized when payment has matured and is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing activities. For the City, operating revenues consist of various sewer service and management fees. Operating expenses include the cost of maintenance and repairs, administrative services and expenses, depreciation on capital assets and salaries. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### *Investment Policy*

The City's investment policy is designed to operate within existing State of South Carolina statutes that authorize the City to invest in the following:

- (1) Obligations of the United States and its agencies.
- (2) General obligations of the State of South Carolina or any of its political units.
- (3) Savings and Loan Associations to the extent that the same are insured by the Federal Deposit Insurance Corporation.
- (4) Certificates of deposit which are collaterally secured by securities of the type described above held by a third party as escrow agent or custodian, or a market value not less than the amount of certificates of deposit so secured, including interest; provided however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (5) Collateralized repurchase agreements which are collateralized by securities as set forth in this section and held by the City or a third party as escrow agent or custodian.
- (6) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Finally, no load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or city clerk if the particular portfolio of the investment company or investment trust in which the investment is made by the city is limited to obligation of the United States, State of South Carolina, or repurchase agreements collateralized by the aforementioned city or state, and has among its objective to attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method. Investments are stated at cost.

The City has no policy relating to investments or deposits that would further limit its investment/deposit choices.

The City's investments in the State of South Carolina Local Government Investment Pool (the Pool) are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code of Laws. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are carried at fair value determined annually 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.

### *Interfund Balances*

In the accompanying financial statements, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund balances."

### *Receivables*

Allowances for doubtful accounts are recorded on all types of receivables which historically experience uncollectible accounts. Allowances are based upon management's analysis of historical trends.

### *Capital Assets*

Capital assets are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets include land, land improvements, Downtown Streetscape, buildings, equipment, vehicles, furniture and fixtures, intangibles (bond/loan costs and sewer capacity studies) and infrastructure assets. Such capital assets are reported at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are reported at fair market value as of the date received. Capital assets are depreciated or amortized over the estimated economic useful lives of the related assets. Depreciation, which includes amortization of the City's intangible assets, is computed using the straight-line method.

Maintenance and repairs of capital assets are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized if they meet the dollar threshold for capitalization as discussed below. When capital assets are sold or otherwise disposed of, the asset cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the change in net position on the government-wide Statement of Activities, and on the Statement of Revenues, Expenses and Changes in Net Position — Proprietary Fund, if applicable.

Under *GASB Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, the city is considered to be a phase 3 governmental entity. As such, it is not required to and does not report sewer infrastructure additions acquired or improvements made prior to July 1, 2003. Accordingly, the City is only reporting infrastructure assets and related depreciation expense for the costs of sewer infrastructure additions and improvements that were incurred subsequent to June 30, 2003.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's capitalization policy thresholds and estimated useful lives are as follows:

|   | <u>Capitalization Threshold</u> | <u>Estimated Useful Life</u> |
|---|---------------------------------|------------------------------|
| Land  | \$5,000                         |                              |
| Land Improvements                                 | \$5,000                         | 25 Years                     |
| Downtown Streetscape                              | \$5,000                         | 15 Years                     |
| Buildings   | \$5,000                         | 39 Years                     |
| Equipment, Vehicles<br>and Furniture and Fixtures | \$1,000                         | 5 - 7 Years                  |
| Intangibles                                       | \$1,000                         | 15 - 25 Years                |

### *Compensated Absences*

The City's policy for compensated absences is as follows:

#### *Vacation*

Employees are permitted to accumulate earned but unused vacation benefits up to 30 days of earned vacation leave with such leave being fully vested when earned. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. As of June 30, 2015, employees accumulated approximately 4,100 hours for which management computed an obligation of \$162,630. A liability is reported in the governmental funds financial statements only if it has matured, for example, as a result of employee resignations or retirements.

#### *Sick*

The City's sick leave policy provides for a limited accumulation of 120 days of sick leave. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### *Unearned Revenue*

Unearned revenue is reported in the governmental fund financial statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise in both government-wide and fund financial statements when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenses/expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

In the governmental funds balance sheet, property taxes which are measurable but not available are recorded as deferred revenue. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as deferred revenue. At June 30, 2015, taxes receivable not expected to be collected within 60 days subsequent to fiscal year end are not considered to be an available resource to pay liabilities of the current period, and are recorded as deferred revenue. The balance in unearned revenues at June 30, 2015 of \$1,678 is composed entirely of property taxes receivable.

#### *Fund Balances*

As prescribed by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### *Nonspendable Fund Balance*

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (for example: inventories, prepaid amounts, and long-term notes receivable).

### *Restricted Fund Balance*

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

### *Committed Fund Balance*

This unrestricted classification includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only if the City Council changes or removes the specified use by taking the same type of formal action that was used to impose the constraint originally (for example: resolution or ordinance).

### *Assigned Fund Balance*

This unrestricted classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City or (b) a body (the City Council or management) to which the City has delegated the authority to assign amounts to be used for specific purposes.

### *Unassigned Fund Balance*

This unrestricted classification is the residual classification for the general fund. It represents spendable general fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes. In other governmental funds, if expenditures incurred for specific purposes exceed amounts restricted, committed or assigned to those purposes, a negative unassigned fund balance may be reported.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

### *Restricted Assets/Net Position*

Restricted assets are those that may be used only to finance specific types of transactions. These restrictions may be established by debt covenants, grantors, laws or regulations of other governments, the state or City constitution, or any legislation that enabled the City to initially assess the related taxes or fees. Restricted net position represents the balance of restricted assets less the outstanding balances of any liabilities that will be settled using restricted assets. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position and then unrestricted net position. At June 30, 2015, the City had restricted assets of \$656,036, which consisted of cash and receivables in the various governmental funds and proprietary fund.

In the government-wide and proprietary fund financial statements, net position represents the difference between total assets and total liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and related debt. Unrestricted net position is any amount not included in net investment in capital assets or in restricted net position.

### *Use of Estimates*

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

## 2 DEPOSITS AND INVESTMENTS

### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. South Carolina State law requires banks to collateralize deposits for governmental entities that exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures balances up to \$250,000. The City has no additional deposit policy for custodial credit risk.

As of June 30, 2015, \$3,807,378 of the City's bank deposit balances of \$4,057,378 was exposed to custodial credit risk as deposits that were uninsured and uncollateralized.

### *Interest Rate Risk*

The City does not have a formal investment policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2015, the City had the following investments:

| <u>Investment Type</u>                           | <u>Credit Rating</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|--|----------------------|-------------------|--|
| Cash and Investments held by<br>County Treasurer | Unrated              | \$ 18,391         | 0.96                                     |

### *Concentration of Credit Risk*

The City places no limit on the amount that may be invested in any one issuer. At June 30, 2015, 100% of the City's investments were in the State of South Carolina Local Government Investment Pool. At June 30, 2015, the City's cash consisted of approximately 80% of deposits with the Bank of Travelers Rest and approximately 20% of deposits with BB&T.

Cash reported in the Governmental Activities/Governmental Funds totaling \$2,781,995 represents amounts restricted as to use by providers.

Cash reported in the Business-type Activities/Proprietary Fund of \$48,557 represent funds on deposit with the Office of the South Carolina State Treasurer that are restricted for debt service on the City's general obligation bonds. These amounts are included in restricted cash and investments for Business-type Activities on the government-wide Statement of Net Position and in restricted cash on the Proprietary Fund Statement of Net Position.

## 3 PROPERTY TAXES RECEIVABLE

Property taxes on real property and personal property, other than licensed motor vehicles, are assessed and billed in October each year, based on the valuation of property as of December 31 of the prior year. Real and personal property taxes are due on or before January 15. If taxes are unpaid on January 16, a 3% penalty is added. If taxes remain unpaid on February 2, an additional 7% penalty is added to the total of taxes plus penalties. If taxes remain unpaid at the March 17 lien date, an additional 5% penalty plus a delinquent execution charge is added to the total taxes and penalties. If taxes have not been paid prior to the first Monday in October, the property is subject to sale at public auction for taxes due.

Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed.

**PROPERTY TAXES RECEIVABLE (Continued)**

Property taxes are billed and collected by Greenville County on behalf of the City and remitted to the City monthly. An enforceable lien attaches to property on which property taxes have not been collected.

The City's property taxes receivable at June 30, 2015 comprised of gross property taxes of \$98,389 less an allowance for estimated uncollectible property taxes of \$50,838. In the government-wide financial statements, all property taxes receivable were included in revenue. In the governmental fund financial statements, property taxes receivable of \$47,551 were recognized as revenue at June 30, 2015, because they were collected within 60 days of year-end. The remaining delinquent property taxes receivable of \$10,500 were recorded by the City as deferred revenue because they were not collected within 60 days of year-end and thus are not considered susceptible to accrual.

**4 ACCOUNTS RECEIVABLE**

At June 30, 2015, the Governmental Activities/Governmental Funds accounts receivable balance totaled \$226,504, which consisted of Franchise Fees of \$119,283 Aid to Subdivisions of \$23,228, Public Works Fees of \$180, Accommodations Tax of \$15,819, Local Hospitality Tax of \$51,216, Local Accommodations Tax of \$15,819 and permits of \$3,903.

The June 30, 2015 Business-type Activities/Proprietary Fund accounts receivable balance consisted of \$26,796 of sewer fees receivable.

All accounts receivable were considered to be fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2015.

**5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

At June 30, 2015, the Governmental Activities/Governmental Funds accounts payable and accrued expenses totaled \$200,624, which consisted of accounts payable to vendors of \$89,697, amounts due for amounts withheld from payroll for retirement and insurances of \$15,432, and accrued wages of \$95,495.

At June 30, 2015, the Business-type Activities/Proprietary Fund accounts payable balance and accrued expenses consisted of accounts payable to vendors of \$9,190.

**6 INTERFUND BALANCES**

The City's interfund balances consisted of the following at June 30, 2015:

|                          |                                     |
|--------------------------|-------------------------------------|
|                          | <u>Due to Sewer<br/>System Fund</u> |
| Due From:                |                                     |
| General Fund             | \$ 186,168                          |
| Other Governmental Funds | <u>1,200</u>                        |
| <br>Total                | <br><u><u>187,368</u></u>           |

These funds were advanced to provide resources for various governmental fund programs. These funds are not expected to be repaid within one year.

## 7 CAPITAL ASSETS

Capital assets activity of the City for the year ended June 30, 2015 was as follows:

|   | Beginning<br>Balance | Increases        | Decreases      | Ending<br>Balance  |
|---|----------------------|------------------|----------------|--------------------|
| Governmental Activities:                            |                      |                  |                |                    |
| Capital Assets, Not Being Depreciated               |                      |                  |                |                    |
| Construction in Progress                            | \$ 363,019           | \$ 1,888,213     | -              | \$ 2,251,232       |
| Land  | 928,518              |                  |                | 928,518            |
| <b>Total Capital Assets, Not Being Depreciated</b>  | <b>1,291,537</b>     | <b>1,888,213</b> | <b>-</b>       | <b>3,179,750</b>   |
| Capital Assets, Being Depreciated                   |                      |                  |                |                    |
| Downtown Streetscape                                | 4,551,410            | 70,779           | 205,619        | 4,416,570          |
| Buildings and Improvements                          | 2,631,903            | 214,429          | 46,959         | 2,799,373          |
| Equipment   | 745,457              | 16,796           |                | 762,253            |
| Vehicles  | 1,869,393            | 65,552           |                | 1,934,945          |
| Furniture and Fixtures                              | 109,807              | -                |                | 109,807            |
| Intangible Assets - Bond/Loan Costs                 | 142,299              | 1,375            |                | 143,674            |
| <b>Total Capital Assets, Being Depreciated</b>      | <b>10,050,269</b>    | <b>368,931</b>   | <b>252,578</b> | <b>10,166,622</b>  |
| Less: Accumulated Depreciation For:                 |                      |                  |                |                    |
| Downtown Streetscape                                | (1,196,525)          | (293,527)        |                | (1,490,052)        |
| Buildings & Improvements                            | (458,232)            | (103,891)        |                | (562,123)          |
| Equipment   | (627,191)            | (35,265)         |                | (662,456)          |
| Vehicles  | (1,784,496)          | (44,652)         |                | (1,829,148)        |
| Furniture and Fixtures                              | (94,462)             | (3,998)          |                | (98,460)           |
| Intangible Assets - Bond/Loan Costs                 | (46,026)             | (7,722)          |                | (53,748)           |
| <b>Total Accumulated Depreciation</b>               | <b>(4,206,932)</b>   | <b>(489,055)</b> | <b>-</b>       | <b>(4,695,987)</b> |
| <b>Total Capital Assets, Being Depreciated, Net</b> | <b>5,843,337</b>     | <b>(120,124)</b> | <b>252,578</b> | <b>5,470,635</b>   |
| <b>Governmental Activities, Capital Assets, Net</b> | <b>\$ 7,134,874</b>  | <b>1,768,089</b> | <b>252,578</b> | <b>8,650,385</b>   |

## CAPITAL ASSETS (Continued)

### Business-Type Activities:

|   |                     |                     |             |                     |
|---|---------------------|---------------------|-------------|---------------------|
| Capital Assets, Being Depreciated             |                     |                     |             |                     |
| Equipment                                     | \$ 26,108           | \$ -                | \$ -        | \$ 26,108           |
| Infrastructure:                               |                     |                     |             |                     |
| Sewer Trunk Lines                             | 1,196,715           | 12,105              | -           | 1,208,820           |
| Sewer Rehab TR2                               | 23,231              | -                   | -           | 23,231              |
| Sewer Rehab TR3                               | 875,580             | -                   | -           | 875,580             |
| Sewer Rehab TR7                               | 35,168              | -                   | -           | 35,168              |
| Sewer Rehab TR9                               | 731,385             | -                   | -           | 731,385             |
| Tubbs Mtn Pump Station                        | 860,260             | -                   | -           | 860,260             |
| Intangibles - Bond/Loan Costs                 | 24,269              | -                   | -           | 24,269              |
| Intangibles - Capacity Studies                | 57,521              | -                   | -           | 57,521              |
|   | <hr/>               |                     |             |                     |
| Total Capital Assets, Being Depreciated       | 3,830,237           | 12,105              | -           | 3,842,342           |
|   | <hr/>               |                     |             |                     |
| Less: Accumulated Depreciation For:           |                     |                     |             |                     |
| Equipment                                     | \$ (17,009)         | \$ (1,227)          | \$ -        | \$ (18,236)         |
| Infrastructure:                               |                     |                     |             |                     |
| Sewer Trunk Lines                             | (202,242)           | -                   | -           | (202,242)           |
| Sewer Rehab TR2                               | (35,224)            | (51,187)            | -           | (86,411)            |
| Sewer Rehab TR3                               | (421,481)           | (35,412)            | -           | (456,893)           |
| Sewer Rehab TR7                               | (7,743)             | (1,407)             | -           | (9,150)             |
| Sewer Rehab TR9                               | (271,870)           | (29,255)            | -           | (301,125)           |
| Tubbs Mtn Pump Station                        | (217,441)           | (34,410)            | -           | (251,851)           |
| Intangibles - Bond/Loan Costs                 | (13,994)            | (1,370)             | -           | (15,364)            |
| Intangibles - Capacity Studies                | (24,351)            | (2,301)             | -           | (26,652)            |
|   | <hr/>               |                     |             |                     |
| Total Accumulated Depreciation                | (1,211,355)         | (156,569)           | -           | (1,367,924)         |
|   | <hr/>               |                     |             |                     |
| Total Capital Assets, Being Depreciated, Net  | 2,618,882           | (144,464)           | -           | 2,474,418           |
|   | <hr/>               |                     |             |                     |
| Business-Type Activities, Capital Assets, Net | <u>\$ 2,618,882</u> | <u>\$ (144,464)</u> | <u>\$ -</u> | <u>\$ 2,474,418</u> |

**CAPITAL ASSETS (Continued)**

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

|   |                              |
|---|------------------------------|
| Governmental Activities:                                  |                              |
| General Government  | \$ 249,330                   |
| Police  | 116,093                      |
| Fire  | 101,711                      |
| Sanitation  | <u>21,921</u>                |
| <br>Total Depreciation Expense - Governmental Activities  | <br><u><u>\$ 489,055</u></u> |
| <br>Business-type Activities:                             |                              |
| Sewer System  | <u>\$ 156,569</u>            |
| <br>Total Depreciation Expense - Business-type Activities | <br><u><u>\$ 156,569</u></u> |

Amortization of the Hospitality Tax Fund's intangible assets was included in governmental activities depreciation expense for the year ended June 30, 2015. Amortization expense relating to governmental activities will be \$5,206 for each of the next five years.

Amortization of the Sewer system's intangible assets was included in business-type activities depreciation expense for the year ended June 30, 2015. Amortization expense relating to business-type activities will be \$3,671 for each of the next five years.

**8 LONG-TERM LIABILITIES**

Long-term liability transactions for governmental activities for the year ended June 30, 2015, were as follows:

|   | Beginning<br>Balance    | Additions             | Reductions              | Ending<br>Balance       | Due Within<br>One Year |
|---|-------------------------|-----------------------|-------------------------|-------------------------|------------------------|
| Governmental Activities                       |                         |                       |                         |                         |                        |
| Revenue Refunding Bond                        | \$ 3,425,223            | \$ -                  | \$ (178,168)            | \$ 3,247,055            | \$ 184,315             |
| General Obligation Bond                       | 1,791,810               | -                     | (141,370)               | 1,650,440               | 142,990                |
| SC Energy Office                              | 39,788                  | -                     | -                       | 39,788                  | 8,158                  |
| Accrued Compensated Absences                  | <u>141,197</u>          | <u>108,975</u>        | <u>(87,542)</u>         | <u>162,630</u>          | <u>61,799</u>          |
| <br>Government Activity Long-Term Liabilities | <br><u>\$ 5,398,018</u> | <br><u>\$ 108,975</u> | <br><u>\$ (407,080)</u> | <br><u>\$ 5,099,913</u> | <br><u>\$ 397,262</u>  |

For governmental activities, the General Obligation Bond and the Revenue Refunding Bond are liquidated from the general fund and the hospitality tax fund, respectively. Compensated absences are generally liquidated from the general fund.

The Revenue Refunding Bonds of 2012 are payable annually on April 1 in incrementally increasing installments of principle through 2019. Interest is payable semi-annually on April 1 and October 1 through 2029 with an interest rate of 3.45%. This bond is secured by the full faith, credit and taxing power of the City.

The General Obligation Bond of 2009 is payable annually on April 1 in incrementally increasing installments of principal through 2029. Interest is payable in semi-annual installments on April 1 and October 1 through 2029 with an interest rate of 5.22%. This bond is secured by the full faith, credit and taxing power of the City.

**LONG-TERM LIABILITIES (Continued)**

Debt service requirements on these bonds at June 30 are as follows:

| Year Ended<br>June 30, | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2016                   | \$ 335,463          | \$ 112,023        | \$ 447,486          |
| 2017                   | 348,625             | 105,665           | 454,290             |
| 2018                   | 356,949             | 99,086            | 456,035             |
| 2019                   | 370,525             | 92,281            | 462,806             |
| 2020                   | 376,583             | 85,241            | 461,824             |
| 2021-2025              | 1,483,956           | 311,805           | 1,795,761           |
| 2026-2030              | 1,665,182           | 95,586            | 1,760,768           |
|                        | <u>\$ 4,937,283</u> | <u>\$ 901,687</u> | <u>\$ 5,838,970</u> |

Long-term liability transactions for business-type activities for the year ended June 30, 2015, were as follows:

|   | Beginning<br>Balance | Additions   | Reductions         | Ending<br>Balance | Due Within<br>One Year |
|---|----------------------|-------------|--------------------|-------------------|------------------------|
| Business-type Activities                      |                      |             |                    |                   |                        |
| Bonds Payable:                                |                      |             |                    |                   |                        |
| State Pollution Control<br>Revolving Bond - A | \$ 167,302           | \$ -        | \$ (19,988)        | \$ 147,314        | \$ 20,442              |
| State Pollution Control<br>Revolving Bond - B | 83,652               | -           | (9,995)            | 73,657            | 10,221                 |
| Loan Payable:                                 |                      |             |                    |                   |                        |
| Tubbs Mountain Pump Station                   | 259,812              | -           | (16,664)           | 243,148           | 17,042                 |
| Business-type Activity Long-Term Liabilities  | <u>\$ 510,766</u>    | <u>\$ -</u> | <u>\$ (46,647)</u> | <u>\$ 464,119</u> | <u>\$ 47,705</u>       |

Debt service requirements on these bonds at June 30 are as follows:

During the fiscal year ended June 30, 2002, the City entered into an agreement with a contractor to provide sewer line rehabilitation over the area of the City known as the Travelers Rest 3 Area. The contract price of \$877,892 was financed out of existing reserves and through two separate bonds offered by the South Carolina Water Quality Revolving Fund Authority.

The first revolving bond — A with a balance of \$186,847 at June 30, 2015, carries an interest rate of 2.25% and is to be repaid in quarterly installments of \$5,896 including principal and interest through April 2022. The second revolving bond — B with a balance of \$93,374 at June 30, 2015, carries an interest rate of 2.25% and is payable in quarterly installments of \$2,948 including principal and interest through April 2022. Revolving bond A is secured by the full faith, credit and taxing power of the City. Revolving bond B is secured by all revenues of the City's Sewer System Fund.

## LONG-TERM LIABILITIES (Continued)

During the fiscal year ended June 30, 2008, the South Carolina Water Quality Revolving Fund Authority loaned the City \$358,039 at an interest rate of 2.25% per annum. The purpose of the proceeds of this note was to fund the new Tubbs Mountain Sewer Station Project. This project was completed during the year ended June 30, 2008 at a total cost of \$858,367. The balance of \$276,106 at June 30, 2015 is payable in quarterly installments of \$5,592, including principal and interest through December 2027. This loan is secured by all revenues of the City's Sewer System Fund.

Maturities on long-term debt at June 30 are as follows:

| Year Ended<br>June 30, | Principal         | Interest         | Total             |
|------------------------|-------------------|------------------|-------------------|
| 2016                   | \$ 47,705         | \$ 10,042        | \$ 57,747         |
| 2017                   | 48,787            | 8,960            | 57,747            |
| 2018                   | 49,894            | 7,853            | 57,747            |
| 2019                   | 51,026            | 6,720            | 57,746            |
| 2020                   | 52,184            | 5,563            | 57,747            |
| 2021-2025              | 139,436           | 11,953           | 151,389           |
| 2026-2030              | 75,087            | 3,206            | 78,293            |
|                        | <u>\$ 464,119</u> | <u>\$ 54,297</u> | <u>\$ 518,416</u> |

## 9 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which are insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in insurance coverage during the year ended June 30, 2015.

## 10 PENSION PLAN

All permanent City employees participate in either the South Carolina Retirement System (SCRS), or the South Carolina Police Officers Retirement System (SCPORS). Both retirement systems are cost-sharing multiple-employer defined benefit pension plans and are administered by the Retirement Division of the South Carolina Budget and Control Board. Both the SCRS and the SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits to plan members and beneficiaries. The Plans' provisions are established under Title 9 of the South Carolina Code of Laws, which assigns authority to establish and amend benefits to the South Carolina Budget and Control Board.

## **PENSION PLAN (Continued)**

### *Description of the Entity*

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 cotrustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 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 Descriptions*

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

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

### *Membership*

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

#### *SCRS*

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

#### *PORS*

To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or 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.

## **PENSION PLAN (Continued)**

### *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 each system is presented below.

#### *SCRS*

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

#### *PORS*

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and 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.

**PENSION PLAN (Continued)**

Required employee contribution rates for fiscal year 2014-2015 are as follows

**SCRS**

|                      |                                |
|----------------------|--------------------------------|
| Employee Class Two   | 8.00% of earnable compensation |
| Employee Class Three | 8.00% of earnable compensation |

**PORS**

|                      |                                |
|----------------------|--------------------------------|
| Employee Class One   | \$21 per month                 |
| Employee Class Two   | 8.41% of earnable compensation |
| Employee Class Three | 8.41% of earnable compensation |

Required employer contribution rates for fiscal year 2014-2015 are as follows

**SCRS**

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Employer Class Two                | 10.75% of earnable compensation |
| Employer Class Three              | 10.75% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation  |

**PORS**

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Employer Class One                | 7.80% of earnable compensation  |
| Employer Class Two                | 13.01% of earnable compensation |
| Employer Class Three              | 13.01% of earnable compensation |
| Employer Incidental Death Benefit | 0.20% of earnable compensation  |
| Employer Accidental Death Program | 0.20% of earnable compensation  |

The City's contributions to the SCRS and PORS for the last two fiscal years were as follows:

|                                   | <b>2015</b>       | <b>2014</b>       |
|-----------------------------------|-------------------|-------------------|
| <b>SCRS</b>                       |                   |                   |
| Employee Contributions            | \$ 36,504         | \$ 32,344         |
| Employer Contributions            | 49,055            | 45,065            |
| Employer Group Life Contributions | 685               | 647               |
|                                   | <u>          </u> | <u>          </u> |
| <b>Total</b>                      | <b>\$ 86,244</b>  | <b>\$ 78,056</b>  |
|                                   | <u>          </u> | <u>          </u> |
| <b>PORS</b>                       |                   |                   |
| Employee Contributions            | \$ 100,467        | \$ 93,380         |
| Employer Contributions            | 155,419           | 148,169           |
| Employer Group Life Contributions | 4,778             | 4,764             |
|                                   | <u>          </u> | <u>          </u> |
| <b>Total</b>                      | <b>\$ 260,664</b> | <b>\$ 246,313</b> |
|                                   | <u>          </u> | <u>          </u> |

**PENSION PLAN (Continued)**

The governmental unit contributed 100% of the required contributions for the current year and each of the two preceding years.

*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 is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

*Actuarial Assumptions and Methods (Continued)*

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

|                            | <b>SCRS</b>           | <b>PORS</b>           |
|----------------------------|-----------------------|-----------------------|
| Actuarial Cost Method      | Entry Age             | Entry Age             |
| Actuarial Assumptions:     |                       |                       |
| Investment Rate of Return  | 7.50%                 | 7.50%                 |
| Projected Salary Increases | levels off at 3.5%    | levels off at 4.0%    |
| Includes Inflation at      | 2.75%                 | 2.75%                 |
| Benefits 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.

| <b>Former Job Class</b>  | <b>Males</b>  | <b>Females</b>   |
|--|---|--|
| Educators and Judges   | RP-2000 Males (with White Collar adjustment) multiplied by 110% | RP-2000 Females (with White Collar adjustment) multiplied by 95% |
| General Employees and Members of the General Assembly                        | RP-2000 Males multiplied by 100%                                | RP-2000 Females multiplied by 90%                                |
| Public Safety, Firefighters and members of the South Carolina National Guard | RP-2000 Males (with Blue Collar adjustment) multiplied by 115%  | RP-2000 Females (with Blue Collar adjustment) multiplied by 115% |

## PENSION PLAN (Continued)

### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2014, NPL amounts for SCRS and PORS are presented below (amounts expressed in thousands).

| <b>System</b> | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Employers' Net Pension Liability (Asset)</b> | <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> |
|---------------|--------------------------------|------------------------------------|---|---|
| SCRS          | \$ 42,955,205,796              | \$ 25,738,521,026                  | \$ 17,216,684,770                               | 59.9%   |
| PORS          | 5,899,529,434                  | 3,985,101,996                      | 1,914,427,438                                   | 67.5%   |

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information.

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.50 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.

### *Long-term Expected Rate of Return*

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

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. 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.

## PENSION PLAN (Continued)

### Long-term Expected Rate of Return (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%                    | 0.3                                     | 0.01   |
| Short Duration                   | 3.0%                    | 0.6                                     | 0.02   |
| Domestic Fixed Income            | 13.0%                   |   |  |
| Core Fixed Income                | 7.0%                    | 1.1                                     | 0.08   |
| High Yield                       | 2.0%                    | 3.5                                     | 0.07   |
| Bank Loans                       | 4.0%                    | 2.8                                     | 0.11   |
| Global Fixed Income              | 9.0%                    |   |  |
| Global Fixed Income              | 3.0%                    | 0.8                                     | 0.02   |
| Emerging Markets Debt            | 6.0%                    | 4.1                                     | 0.25   |
| Global Public Entity             | 31.0%                   | 7.8                                     | 2.42   |
| Global Target Asset Allocation   | 10.0%                   | 5.1                                     | 0.51   |
| Alternatives                     | 32.0%                   |   |  |
| Hedge Funds (Low Beta)           | 8.0%                    | 4                                       | 0.32   |
| Private Debt                     | 7.0%                    | 10.2                                    | 0.71   |
| Private Equity                   | 9.0%                    | 10.2                                    | 0.92   |
| Real Estate (Broad Market)       | 5.0%                    | 5.9                                     | 0.29   |
| Commodities                      | 3.0%                    | 5.1                                     | 0.15   |
| Total Expected Real Return       | <u>100.0%</u>           |   | <u>5.88</u>                                      |
| Inflation for Actuarial Purposes |                         |   | <u>2.75</u>                                      |
| Total Expected Nominal Return    |                         |   | <u>8.63</u>                                      |

### Sensitivity Analysis

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

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

| System | 1.00% Decrease (6.50%) | Current Discount Rate (7.50%) | 1.00% Decrease (8.50%) |
|--------|------------------------|-------------------------------|------------------------|
| SCRS   | \$ 133,106,155         | \$ 102,859,189                | \$ 77,624,543          |
| PORS   | 151,693                | 108,548                       | 72,849                 |

**PENSION PLAN (Continued)**

*Payables to the Pension Plan*

As of June 30, 2015, the City had no payables outstanding to the pension plans for its legally required contributions.

*Pension Liabilities*

At June 30, 2015, the City reported a liability of \$817,793 for its proportionate share of the net pension liability for the SCRS and a liability of \$1,895,838 for its proportionate share of the net pension liability for PORS. The net pension liability of each defined benefit plan was determined based on the most recent actuarial valuation as of July 1, 2013, using membership as of that date projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2015, the City’s proportions were 0.004750% and 0.09903% for SCRS and PORs, respectively.

For the year ended June 30, 2015, the City recognized pension expense of \$209,937, including \$49,740 for SCRS and \$160,198 for PORS. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Deferred Outflows/(Inflows) of Resources*

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

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| <b>SCRS and PORS</b>  |   |  |
| Difference Between Expected and Actual Experience                                   | \$ 271,644                                | \$ -                                     |
| Net Difference Between Projected and Actual Earnings<br>on Pension Plan Investments | -   | 288,308                                  |
| Direct Contributions Subsequent to the Measurement Date                             | <u>12,057</u>                             | <u>-</u>                                 |
| <b>Total</b>  | <u><u>\$ 283,701</u></u>                  | <u><u>\$ 288,308</u></u>                 |

The amounts of \$12,057 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

## **PENSION PLAN (Continued)**

### *Additional Financial and Actuarial Information*

Information contained in these Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (Schedules) was extracted from the audited financial statements of the South Carolina Retirement Systems for the fiscal year ended June 30, 2014. Additional financial information supporting the preparation of the Schedules (including the unqualified audit opinion on the financial statements and required supplementary information) is located in the Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

### **11 LEGAL MATTERS**

The City is engaged in routine litigation incidental to the conduct of its business and municipal affairs. In the opinion of its Counsel, no legal proceedings are pending against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

### **12 COMMITMENTS**

The City maintains an agreement with Greenville County, whereby Greenville County agrees to be responsible for the operation, staffing, funding and maintenance of the Detention Center. The City is allowed to house sentenced and pre-sentenced prisoners in the Detention Center. Greenville County receives a per diem rate established annually and effective for the twelve-month period of July 1 through June 30. The per diem rate was \$55.52 and the total jail fees paid to Greenville County were \$62,113 for the year ended June 30, 2015.

### **13 CONTINGENCIES**

In the normal course of operations, the City receives grant funds from various State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

### **14 PROJECTS WITH OTHER GOVERNMENT AGENCIES**

During the 2009 — 2010 fiscal year, the City issued a general obligation bond of \$900,000 to cover its portion of the cost of a tract of land purchased in conjunction with the Greenville County Recreation City (the City). During the 2010 — 2011 fiscal year, the City and the City demolished the buildings on this tract and completed other clean-up activities to provide park and recreation facilities to the citizens of the City of Travelers Rest and Greenville County. During the 2010 — 2011 fiscal year, bond proceeds totaling \$197,820 were used for this project. The City also shares some costs with the City to maintain the Swamp Rabbit Trail, which transverse the City of Travelers Rest and other areas of Greenville County. The Swamp Rabbit Trail and the new Downtown Streetscape have become an attraction for businesses, tourism and recreation for the City of Travelers Rest.

### **15 RESTATEMENT**

Due to the implementation of GASB 68 "Accounting and Financial Reporting for Pensions" for the year ended June 30, 2015, beginning net position was restated for the net pension liability at July 1, 2014. The amount of the restatement was a decrease in net position to governmental activities and business-type activities of \$2,694,532 and \$11,648 respectively.

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

|                                      | Original<br>Budget | Final<br>Budget  | Total<br>Actual  | Variance<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|------------------|------------------|------------------------------------|
| <b>Revenue</b>                       |                    |                  |                  |                                    |
| Taxes                                |                    |                  |                  |                                    |
| Property Taxes                       | \$ 1,750,000       | \$ 1,750,000     | \$ 1,786,573     | \$ 36,573                          |
| Fee in Lieu                          | 160,000            | 160,000          | 160,000          | -                                  |
| Accommodations Tax                   | 25,000             | 25,000           | 43,066           | 18,066                             |
| Manufacturers Tax                    | 45,000             | 45,000           | 47,657           | 2,657                              |
| Merchants Inventory Tax              | 19,000             | 19,000           | 23,721           | 4,721                              |
| Telecommunications Tax               | 27,000             | 27,000           | 21,412           | (5,588)                            |
| <b>Total Taxes</b>                   | <u>2,026,000</u>   | <u>2,026,000</u> | <u>2,082,429</u> | <u>56,429</u>                      |
| License and Permits                  |                    |                  |                  |                                    |
| Business License                     | 335,000            | 335,000          | 338,886          | 3,886                              |
| Franchise Taxes (Fees)               | 530,000            | 530,000          | 596,349          | 66,349                             |
| Insurance Fees                       | 520,000            | 520,000          | 509,028          | (10,972)                           |
| Building Permits and Inspection fees | 15,000             | 15,000           | 46,105           | 31,105                             |
| <b>Total License and Fees</b>        | <u>1,400,000</u>   | <u>1,400,000</u> | <u>1,490,368</u> | <u>90,368</u>                      |
| Other Income                         |                    |                  |                  |                                    |
| Fines and Forfeitures                | 70,000             | 70,000           | 73,791           | 3,791                              |
| Investment Income                    | 2,000              | 2,000            | 1,936            | (64)                               |
| Rental Income                        | -                  | -                | -                | -                                  |
| Aid to Subdivisions                  | 95,000             | 95,000           | 100,167          | 5,167                              |
| Public Works Fees                    | 36,000             | 36,000           | 39,700           | 3,700                              |
| Other Income                         | 40,000             | 40,000           | 43,044           | 3,044                              |
| <b>Total Other Income</b>            | <u>243,000</u>     | <u>243,000</u>   | <u>258,638</u>   | <u>15,638</u>                      |
| <b>Total Revenues</b>                | <u>3,669,000</u>   | <u>3,669,000</u> | <u>3,831,435</u> | <u>162,435</u>                     |
| <b>Expenditures</b>                  |                    |                  |                  |                                    |
| Current                              |                    |                  |                  |                                    |
| Administrative                       |                    |                  |                  |                                    |
| Salaries                             | 178,000            | 178,000          | 176,359          | 1,641                              |
| Miscellaneous                        | 1,500              | 1,500            | 1,888            | (388)                              |
| Supplies                             | 6,800              | 6,800            | 8,064            | (1,264)                            |
| Employee Training and Travel         | 7,800              | 7,800            | 5,477            | 2,323                              |
| Financial Services                   | 40,000             | 40,000           | 42,295           | (2,295)                            |
| <b>Total Administrative</b>          | <u>234,100</u>     | <u>234,100</u>   | <u>234,083</u>   | <u>17</u>                          |
| Mayor/Council                        |                    |                  |                  |                                    |
| Salaries                             | 22,800             | 22,800           | 22,800           | -                                  |
| Seminars/Travel                      | 18,000             | 18,000           | 16,261           | 1,739                              |
| Council Expenses                     | 5,000              | 5,000            | 2,739            | 2,261                              |
| <b>Total Mayor/Council</b>           | <u>45,800</u>      | <u>45,800</u>    | <u>41,800</u>    | <u>4,000</u>                       |
| Legal                                |                    |                  |                  |                                    |
| Council Advice                       | 3,000              | 3,000            | 6,434            | (3,434)                            |
| <b>Total Legal</b>                   | <u>3,000</u>       | <u>3,000</u>     | <u>6,434</u>     | <u>(3,434)</u>                     |
| General Government                   |                    |                  |                  |                                    |
| Tort Liability Insurance             | 28,000             | 28,000           | 29,434           | (1,434)                            |

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

|                                     | Original<br>Budget | Final<br>Budget | Total<br>Actual | Variance<br>Positive<br>(Negative) |
|-------------------------------------|--------------------|-----------------|-----------------|------------------------------------|
| Workers' Compensation Insurance     | 62,000             | 62,000          | 68,785          | (6,785)                            |
| Unemployment Payroll Taxes          | 5,500              | 5,500           | 6,773           | (1,273)                            |
| Equipment Lease                     | 2,000              | 2,000           | 741             | 1,259                              |
| Utilities                           | 20,500             | 20,500          | 19,336          | 1,164                              |
| Street Lights                       | 40,000             | 40,000          | 50,897          | (10,897)                           |
| Postage/Postage Meter               | 6,100              | 6,100           | 6,081           | 19                                 |
| Advertisement/Ads                   | 1,500              | 1,500           | 375             | 1,125                              |
| Vehicle Insurance                   | 28,000             | 28,000          | 20,015          | 7,985                              |
| Casualty Insurance                  | 2,600              | 2,600           | 8,166           | (5,566)                            |
| Envelopes/Letterhead                | 1,000              | 1,000           | 1,590           | (590)                              |
| Traffic Signals                     | 1,000              | 1,000           | 727             | 273                                |
| Equipment                           | 2,000              | 2,000           | 4,135           | (2,135)                            |
| Dues                                | 1,800              | 1,800           | 1,766           | 34                                 |
| Telephone                           | 18,500             | 18,500          | 21,988          | (3,488)                            |
| Employee Appreciation               | 10,500             | 10,500          | 10,017          | 483                                |
| Supplies                            | 2,000              | 2,000           | 1,905           | 95                                 |
| Office Equipment Repair/Maintenance | -                  | -               | -               | -                                  |
| Social Security/Medicare            | 125,000            | 125,000         | 123,930         | 1,070                              |
| Retirement                          | 209,000            | 209,000         | 210,595         | (1,595)                            |
| Group Health Insurance              | 375,000            | 375,000         | 351,137         | 23,863                             |
| <b>Total General Government</b>     | <b>942,000</b>     | <b>942,000</b>  | <b>938,393</b>  | <b>3,607</b>                       |
| <b>Municipal Court</b>              |                    |                 |                 |                                    |
| Salaries                            | 69,000             | 69,000          | 69,700          | (700)                              |
| Office Equipment Repair/Maintenance | 400                | 400             | 406             | (6)                                |
| Schools and Seminars                | 2,800              | 2,800           | 2,038           | 762                                |
| Cellular Phones                     | 1,000              | 1,000           | 795             | 205                                |
| Supplies                            | 2,800              | 2,800           | 2,153           | 647                                |
| Travel Expense                      | 2,800              | 2,800           | 4,240           | (1,440)                            |
| Court Operations                    | 3,000              | 3,000           | 1,455           | 1,545                              |
| Legal                               | 20,000             | 20,000          | 15,311          | 4,689                              |
| Furniture                           | 500                | 500             | 461             | 39                                 |
| Jail Fees                           | 60,000             | 60,000          | 90,995          | (30,995)                           |
| <b>Total Municipal Court</b>        | <b>162,300</b>     | <b>162,300</b>  | <b>187,554</b>  | <b>(25,254)</b>                    |
| <b>Police</b>                       |                    |                 |                 |                                    |
| Salaries                            | 562,000            | 562,000         | 527,268         | 34,732                             |
| Overtime                            | 20,000             | 20,000          | 24,075          | (4,075)                            |
| Other Employee Expenses             | 224,000            | 224,000         | 214,261         | 9,739                              |
| Vehicle Operating                   | 44,000             | 44,000          | 34,522          | 9,478                              |
| Vehicle Maintenance                 | 17,000             | 17,000          | 18,594          | (1,594)                            |
| Telephone/Pager                     | 4,100              | 4,100           | 3,603           | 497                                |
| Equipment Repair                    | 3,000              | 3,000           | 3,034           | (34)                               |
| Public Relations                    | 1,000              | 1,000           | 209             | 791                                |
| Supplies                            | 4,700              | 4,700           | 3,837           | 863                                |
| Uniforms and Clothing               | 11,500             | 11,500          | 8,002           | 3,498                              |
| Employee Training                   | 5,500              | 5,500           | 4,783           | 717                                |
| Other Expenditures                  | 24,300             | 24,300          | 23,766          | 534                                |
| Capital Outlays                     | 5,300              | 5,300           | 4,095           | 1,205                              |
| <b>Total Police</b>                 | <b>926,400</b>     | <b>926,400</b>  | <b>870,049</b>  | <b>56,351</b>                      |
| <b>Maintenance</b>                  |                    |                 |                 |                                    |
| Salaries                            | 21,000             | 21,000          | 21,048          | (48)                               |
| Overtime                            | 8,000              | 8,000           | 5,403           | 2,597                              |
| Telephone                           | 700                | 700             | 653             | 47                                 |

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Total<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|-------------------------|-------------------------|---|
| Building Permits and Maintenance   | 36,700                     | 36,700                  | 35,953                  | 747   |
| Street and Sign Repair   | 17,500                     | 17,500                  | 29,782                  | (12,282)                                    |
| Vehicle Operating  | 9,500                      | 9,500                   | 7,136                   | 2,364                                       |
| Vehicle Maintenance  | 3,500                      | 3,500                   | 1,962                   | 1,538                                       |
| Animal Control   | 3,000                      | 3,000                   | 1,243                   | 1,757                                       |
| Equipment Repair   | 4,300                      | 4,300                   | 3,995                   | 305   |
| Supplies   | 2,500                      | 2,500                   | 3,029                   | (529)                                       |
| Engineering  | 3,000                      | 3,000                   | 1,203                   | 1,797                                       |
| Other Expenditures   | 6,200                      | 6,200                   | 6,183                   | 17  |
| <b>Total Maintenance</b>   | <b>115,900</b>             | <b>115,900</b>          | <b>117,590</b>          | <b>(1,690)</b>                              |
| <b>Fire</b>  |                            |                         |                         |   |
| Salaries   | 647,000                    | 647,000                 | 615,460                 | 31,540                                      |
| Non-volunteer Overtime   | 12,000                     | 12,000                  | 6,460                   | 5,540                                       |
| Utilities  | 14,000                     | 14,000                  | 22,643                  | (8,643)                                     |
| Building Maintenance   | 2,500                      | 2,500                   | 2,741                   | (241)                                       |
| Vehicle Operating  | 16,000                     | 16,000                  | 12,356                  | 3,644                                       |
| Vehicle Maintenance  | 20,000                     | 20,000                  | 20,335                  | (335)                                       |
| Telephone and Communications   | 8,500                      | 8,500                   | 7,217                   | 1,283                                       |
| Equipment Repair   | 1,500                      | 1,500                   | 1,058                   | 442   |
| Supplies   | 2,000                      | 2,000                   | 1,838                   | 162   |
| Uniforms and Clothing  | 7,500                      | 7,500                   | 7,624                   | (124)                                       |
| Employee Training  | 4,500                      | 4,500                   | 7,888                   | (3,388)                                     |
| Fire Safety and Prevention   | 1,200                      | 1,200                   | 1,151                   | 49  |
| Capital Expenditures   | 18,000                     | 18,000                  | 28,840                  | (10,840)                                    |
| Other Expenditures   | 12,100                     | 12,100                  | 9,687                   | 2,413                                       |
| Building Codes and Enforcement   | 2,500                      | 2,500                   | 1,139                   | 1,361                                       |
| <b>Total Fire</b>  | <b>769,300</b>             | <b>769,300</b>          | <b>746,437</b>          | <b>22,863</b>                               |
| <b>Sanitation</b>  |                            |                         |                         |   |
| Contract Services  | 194,000                    | 194,000                 | 188,330                 | 5,670                                       |
| <b>Total Sanitation</b>  | <b>194,000</b>             | <b>194,000</b>          | <b>188,330</b>          | <b>5,670</b>                                |
| <b>Capital Outlay:</b>   |                            |                         |                         |   |
| Administration - Capital Improvements  | 22,600                     | 22,600                  | 19,628                  | 2,972                                       |
| Police - Motor Vehicles  | 37,300                     | 37,300                  | 37,443                  | (143)                                       |
| Public Works - Motor Vehicles  | 29,000                     | 29,000                  | 37,878                  | (8,878)                                     |
| <b>Total Capital Outlay</b>  | <b>88,900</b>              | <b>88,900</b>           | <b>94,949</b>           | <b>(6,049)</b>                              |
| <b>Debt Service</b>  | <b>187,300</b>             | <b>187,300</b>          | <b>186,937</b>          | <b>363</b>                                  |
| <b>Total Expenditures</b>  | <b>3,669,000</b>           | <b>3,669,000</b>        | <b>3,612,556</b>        | <b>56,444</b>                               |
| <b>Excess (Deficiency) of Revenues Over<br/>Expenditures/Net Changes in Fund Balance</b> | <b>\$ -</b>                | <b>\$ -</b>             | <b>\$ 218,879</b>       | <b>\$ 218,879</b>                           |
| <b>Fund Balance, Beginning of Year</b>   |                            |                         | <b>1,679,280</b>        |   |
| <b>Fund Balance, End of Year</b>   |                            |                         | <b>\$ 1,898,159</b>     |   |

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Hospitality Tax Fund**  
**For the Year Ended June 30, 2015**

|   | Original<br>Budget | Final<br>Budget | Total<br>Actual   | Variance<br>Positive<br>(Negative) |
|---|--------------------|-----------------|-------------------|------------------------------------|
| <b>Revenue</b>                              |                    |                 |                   |                                    |
| Taxes                                       |                    |                 |                   |                                    |
| Hospitality Tax                             | \$ 450,000         | \$ 450,000      | \$ 606,541        | \$ (156,541)                       |
| Grants                                      | -                  | -               | 67,684            | (67,684)                           |
| Sponsorship Revenue                         |                    |                 | 10,698            | (10,698)                           |
| Rental Income                               | 3,000              | 3,000           | 1,900             | 1,100                              |
| Investment Income                           | 2,000              | 2,000           | 1,269             | 731                                |
|   | <u>455,000</u>     | <u>455,000</u>  | <u>688,092</u>    | <u>(233,092)</u>                   |
| <b>Total Revenues</b>                       |                    |                 |                   |                                    |
| <b>Expenditures</b>                         |                    |                 |                   |                                    |
| Current                                     |                    |                 |                   |                                    |
| Administrative                              | 73,000             | 73,000          | 136,996           | (63,996)                           |
| Capital Outlay                              | 114,850            | 114,850         | 96,387            | 18,463                             |
| Debt Service                                | 299,000            | 299,000         | 296,339           | 2,661                              |
|   | <u>486,850</u>     | <u>486,850</u>  | <u>529,722</u>    | <u>(42,872)</u>                    |
| <b>Total Expenditures</b>                   |                    |                 |                   |                                    |
| <b>Excess (Deficiency) of</b>               |                    |                 |                   |                                    |
| <b>Revenues Over Expenditures</b>           |                    |                 |                   |                                    |
|   | <u>(31,850)</u>    | <u>(31,850)</u> | <u>158,370</u>    | <u>(190,220)</u>                   |
| <b>Other Financing Sources (Uses)</b>       |                    |                 |                   |                                    |
| Transfers In                                | 31,850             | 31,850          | -                 | 31,850                             |
|   | <u>31,850</u>      | <u>31,850</u>   | <u>-</u>          | <u>31,850</u>                      |
| <b>Total Other Financing Sources (Uses)</b> |                    |                 |                   |                                    |
| <b>Net Changes in Fund Balance</b>          |                    |                 |                   |                                    |
|   | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ 158,370</u> | <u>\$ (158,370)</u>                |
| <b>Fund Balance, Beginning of Year</b>      |                    |                 | <u>376,602</u>    |                                    |
| <b>Fund Balance, End of Year</b>            |                    |                 | <u>\$ 534,972</u> |                                    |

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Accommodations Tax Fund**  
**For the Year Ended June 30, 2015**

|  | Original<br>Budget | Final<br>Budget | Total<br>Actual     | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|---------------------|------------------------------------|
| <b>Revenue</b>   |                    |                 |                     |                                    |
| Taxes  |                    |                 |                     |                                    |
| Accommodations Tax   | \$ 60,000          | \$ 60,000       | \$ 74,276           | \$ (14,276)                        |
| Investment Income  | 600                | 600             | 613                 | (13)                               |
| Total Revenues   | <u>60,600</u>      | <u>60,600</u>   | <u>74,889</u>       | <u>(14,289)</u>                    |
| <b>Expenditures</b>  |                    |                 |                     |                                    |
| Current  |                    |                 |                     |                                    |
| Administrative   | 28,750             | 28,750          | 31,913              | (3,163)                            |
| Capital Outlay   | -                  | -               | 166,928             | (166,928)                          |
| Debt Service   | 31,850             | 31,850          | -                   | 31,850                             |
| Total Expenditures   | <u>60,600</u>      | <u>60,600</u>   | <u>198,841</u>      | <u>(138,241)</u>                   |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <u>-</u>           | <u>-</u>        | <u>(123,952)</u>    | <u>123,952</u>                     |
| <b>Other Financing Sources (Uses)</b>                        |                    |                 |                     |                                    |
| Transfers In   | <u>-</u>           | <u>-</u>        | <u>-</u>            | <u>-</u>                           |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>-</u>           | <u>-</u>        | <u>-</u>            | <u>-</u>                           |
| <b>Net Changes in Fund Balance</b>                           | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ (123,952)</u> | <u>\$ 123,952</u>                  |
| <b>Fund Balance, Beginning of Year</b>                       |                    |                 | <u>211,619</u>      |                                    |
| <b>Fund Balance, End of Year</b>                             |                    |                 | <u>\$ 87,667</u>    |                                    |

**City of Travelers Rest**  
**Required Supplemental Information**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and**  
**Schedule of City Contributions to the Cost Sharing Pension Plan**  
**For the Year Ended June 30, 2015**

The City's Proportionate Share of the Net Pension Liability is as follows:

|  | <u>Governmental<br/>Activities - SCRS</u> | <u>Governmental<br/>Activities - PORS</u> | <u>Business-Type<br/>Activities - SCRS</u> |
|--|---|---|--|
| City's proportion of the net pension liability       | 0.0047500%                                | 0.0990300%                                | 0.0047500%                                 |
| City's proportion share of the net pension liability | \$ 805,979                                | \$ 1,895,838                              | \$ 11,814                                  |

City's Contributions to the cost sharing pension plan was as follows:

|  | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|
| Contractually required contributions                               | \$ 209,938           | \$ 198,645           |
| Contributions in relation t the contractually required contributio | (209,938)            | (198,645)            |
| Contribution deficiency (excess)                                   | <u>-</u>             | <u>-</u>             |
| City's Covered Payroll   | 1,638,982            | 1,622,316            |
| Contributions as a percentage of covered-employee payroll          | 12.81%               | 12.24%               |

**CITY OF TRAVELERS REST, SOUTH CAROLINA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. BUDGETARY BASIS OF ACCOUNTING**

The City prepares and adopts annual budgets for the General Fund, Hospitality Tax Fund and Accommodations Tax Fund to provide for operations. The budgets are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to governmental funds. Changes, if any, made during the year are approved by the City. The City's original budgets were not amended during the year ended June 30, 2015.

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Proprietary Fund**  
**For the Year Ended June 30, 2015**

|  | Original<br>Budget   | Final<br>Budget      | Total<br>Actual   | Variance<br>Positive<br>(Negative) |
|--|----------------------|----------------------|-------------------|------------------------------------|
| <b>Operating Revenues</b>                      |                      |                      |                   |                                    |
| Charges for Services                           |                      |                      |                   |                                    |
| Sewer Service Collection Fees                  | \$ 275,000           | \$ 275,000           | \$ 255,643        | \$ 19,357                          |
| Sewer Tap Fees                                 | 4,000                | 4,000                | 6,800             | (2,800)                            |
| Sewer Impact Fees                              | 24,000               | 24,000               | 20,541            | 3,459                              |
| WCRSA Sewer Impact Fee                         | 7,000                | 7,000                | 4,500             | 2,500                              |
| Engineer Evaluation Fee                        | -                    | -                    | 150               | (150)                              |
|  | <u>310,000</u>       | <u>310,000</u>       | <u>287,634</u>    | <u>22,366</u>                      |
| Total Operating Revenues                       |                      |                      |                   |                                    |
| <b>Operating Expenses</b>                      |                      |                      |                   |                                    |
| Maintenance and Repairs                        |                      |                      |                   |                                    |
| Blockage                                       | 6,000                | 6,000                | 7,675             | (1,675)                            |
| General  | 14,000               | 14,000               | 2,200             | 11,800                             |
| Engineering                                    | 10,000               | 10,000               | 32,018            | (22,018)                           |
| Pump Station                                   | 28,000               | 28,000               | 35,238            | (7,238)                            |
| ROW Clearance                                  | 10,000               | 10,000               | 4,945             | 5,055                              |
| Sewer Rehabilitation                           | 10,000               | 10,000               | 13,686            | (3,686)                            |
| Engineering - EPA                              | 30,000               | 30,000               | 12,805            | 17,195                             |
| Salaries                                       | 21,000               | 21,000               | 21,000            | -                                  |
| Miscellaneous                                  | 2,500                | 2,500                | 0                 | 2,500                              |
|  | <u>131,500</u>       | <u>131,500</u>       | <u>129,567</u>    | <u>1,933</u>                       |
| Total Operating Expenses                       |                      |                      |                   |                                    |
| <b>Operating Income</b>                        | <u>178,500</u>       | <u>178,500</u>       | <u>158,067</u>    | <u>20,433</u>                      |
| <b>Nonoperating Revenues (Expenses)</b>        |                      |                      |                   |                                    |
| Investment Earnings                            | 1,000                | 1,000                | 575               | 425                                |
| Interest on Long-term Debt                     | (20,000)             | (20,000)             | (11,100)          | (8,900)                            |
|  | <u>(19,000)</u>      | <u>(19,000)</u>      | <u>(10,525)</u>   | <u>(8,475)</u>                     |
| Total Nonoperating Revenues (Expenses)         |                      |                      |                   |                                    |
| <b>Change in Net Position, Budgetary Basis</b> | <u>\$ 159,500.00</u> | <u>\$ 159,500.00</u> | <u>\$ 147,542</u> | <u>\$ 11,958</u>                   |

Reconciliation of actual budgetary basis amount to proprietary fund statement of Revenue, Expenses and Changes in Net Position:

|   |                   |
|---|-------------------|
| <b>Change in Net Position, Budgetary Basis</b>  | \$ 147,542        |
| <b>Depreciation</b>   | <u>(156,569)</u>  |
| Change in Net Position - Proprietary Fund Statement of Revenues<br>Expenses and Changes in Net Position | <u>\$ (9,027)</u> |

**City of Travelers Rest**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Schedule of Fines and Forfeiture Collections**  
**For the Year Ended June 30, 2015**

|                                     | July          | Aug           | Sept          | Oct           | Nov           | Dec           | Jan           | Feb           | Mar           | April         | May           | June          | Total          |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Total Fines                         | \$ 8,371      | \$ 6,074      | \$ 5,092      | \$ 3,726      | \$ 7,919      | \$ 5,544      | \$ 4,668      | \$ 5,638      | \$ 9,055      | \$ 7,463      | \$ 5,729      | \$ 5,302      | \$ 74,581      |
| Conviction Surcharge                | 325           | 375           | 400           | 250           | 700           | 300           | 350           | 100           | 750           | 200           | 475           | 550           | 4,775          |
| DUI Assessment                      | 237           | 474           | 948           | 237           | 474           | 948           | 237           | -             | 474           | 237           | 474           | 711           | 5,451          |
| DUS Assessment                      | 300           | 300           | 200           | 300           | 500           | 300           | 100           | 200           | 600           | 200           | 400           | 200           | 3,600          |
| Other Assessments                   | 11,611        | 8,068         | 7,193         | 5,768         | 11,106        | 8,330         | 7,219         | 6,917         | 11,894        | 9,127         | 9,017         | 7,896         | 104,146        |
| <b>Total</b>                        | <b>20,844</b> | <b>15,291</b> | <b>13,833</b> | <b>10,281</b> | <b>20,699</b> | <b>15,422</b> | <b>12,574</b> | <b>12,855</b> | <b>22,773</b> | <b>17,227</b> | <b>16,095</b> | <b>14,659</b> | <b>192,553</b> |
| Amount Allocated to the State       |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Law Surcharges                      | 2,665         | 2,130         | 1,450         | 1,440         | 2,190         | 1,860         | 2,120         | 1,250         | 2,160         | 1,830         | 2,730         | 1,740         | 23,565         |
| DUI Assessment                      | 537           | 774           | 1,148         | 537           | 974           | 1,248         | 337           | 200           | 1,074         | 437           | 874           | 911           | 9,051          |
| 88.84% of Other Assessments         | 7,947         | 5,276         | 5,102         | 3,845         | 7,921         | 5,748         | 4,530         | 5,033         | 8,648         | 6,483         | 5,586         | 5,469         | 71,588         |
|                                     | 11,149        | 8,180         | 7,700         | 5,822         | 11,085        | 8,856         | 6,987         | 6,483         | 11,882        | 8,750         | 9,190         | 8,120         | 104,204        |
| Allocated to Victim Assistance Fund |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Conviction Surcharge                | 325           | 375           | 400           | 250           | 700           | 300           | 350           | 100           | 750           | 200           | 475           | 550           | 4,775          |
| 11.16% of Other Assessments         | 998           | 663           | 641           | 483           | 995           | 722           | 569           | 634           | 1,086         | 814           | 702           | 687           | 8,994          |
|                                     | 1,323         | 1,038         | 1,041         | 733           | 1,695         | 1,022         | 919           | 734           | 1,836         | 1,014         | 1,177         | 1,237         | 13,769         |
| Unrestricted Revenue Retained       | 8,372         | 6,073         | 5,092         | 3,726         | 7,919         | 5,544         | 4,668         | 5,638         | 9,055         | 7,463         | 5,728         | 5,302         | 74,580         |

**CITY OF TRAVELERS REST, SOUTH CAROLINA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. BUDGETARY BASIS OF ACCOUNTING**

The City prepares and adopts an annual budget for the Proprietary Fund to provide for operations. The budget for the Proprietary Fund is prepared using the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Changes to the budgets made during the year, if any, are approved by the City. The City's original budgets were not amended during the year ended June 30, 2015.

Since the City's Proprietary Fund budget is prepared using a basis of accounting other than generally accepted accounting principles for proprietary funds, the budgetary comparison schedule presented on pages 52 and 53 includes a reconciliation of actual budgetary basis amounts to amounts presented on page 21 in the Statement of Revenues, Expenses and Changes in Net Position — Proprietary Fund.

|  | PARTNERS               |                      |                      | ASSOCIATES            |                       |                   |
|--|------------------------|----------------------|----------------------|-----------------------|-----------------------|-------------------|
| <b>C.C. McGregor, CPA</b><br>1906–1968 | W.C. Stevenson, CPA    | D.L. Richardson, CPA | D.K. Strickland, CPA | V.K. Laroche, CPA     | J.R. Matthews II, CPA | M.L. Goode, CPA   |
|  | B.T. Kight, CPA        | E.C. Inabinet, CPA   | J.P. McGuire, CPA    | G.N. Mundy, CPA       | G.P. Davis, CPA       | B.A.G. Felch, CPA |
|  | G.D. Skipper, CPA      | S.S. Luoma, CPA      | L.H. Kelly, CPA      | M.L. Layman, CPA      | H.J. Darver, CPA      | H.S. Mims, CPA    |
|  | L.R. Leaphart, Jr, CPA | T.M. McCall, CPA     |                      | P.A. Betette, Jr, CPA | D.M. Herpel, CPA      |                   |
|  | M.J. Binnicker, CPA    | H.D. Brown, Jr, CPA  |                      | S. Wo, CPA            | H.O. Crider, Jr, CPA  |                   |
|  | W.W. Francis, CPA      | L.B. Salley, CPA     |                      | C.D. Hinchee, CPA     | F.C. Gillam, CPA      |                   |

## 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

To the Mayor and City Council  
City of Travelers Rest  
Travelers Rest, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Travelers Rest, South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Travelers Rest, South Carolina’s basic financial statements, and have issued our report thereon dated June 20, 2016.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Travelers Rest, South Carolina’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 City of Travelers Rest, South Carolina’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Travelers Rest, South Carolina’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 City of Travelers Rest, South Carolina’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.

*McGuire & Company, LLP*

Greenville, South Carolina  
June 20, 2016