

**TOWN OF MONCK'S CORNER,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

TOWN OF MONCKS CORNER, SOUTH CAROLINA

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Greene Finney & Horton
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Moncks Corner
Moncks Corner, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moncks Corner, South Carolina (the "Town"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

WWW.GFHLLP.COM · INFO@GFHLLP.COM

864.232.5204 PH · 864.232.5532 FAX · 211 EAST BUTLER ROAD, SUITE C-6 · MAULDIN, SC 29662

843.735.5805 PH · 1985 RIVIERA DRIVE, SUITE 103-203 · MT. PLEASANT, SC 29464

864.451.7381 PH · 800 EAST WASHINGTON STREET, SUITE D · GREENVILLE, SC 29601

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moncks Corner, South Carolina, as of September 30, 2014, 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.

Correction of an Error

As discussed in Note IV.G, the previously-issued financial statements for the year ended September 30, 2013 have been restated to properly report deferred revenues and related equity accounts. Our opinion is not modified with respect to this matter.

Pending Implementation of Governmental Accounting Standards Board Statement on Pensions

As discussed in Note IV.C, the Governmental Accounting Standards Board recently issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement, which will be adopted by the Town for the fiscal year ended September 30, 2015, will require the Town to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and the Police Officers' Retirement System ("Plans"). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the Town's share of the net pension liability associated with these Plans will decrease the Town's net position by approximately \$4,276,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – General Fund and Other Postemployment Benefit Plan – Defined Benefit Healthcare Plan – Schedules of Employer Contributions and Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
March 11, 2015

TOWN OF MONCKS CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

As management of the Town of Moncks Corner (Town), South Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2014 as compared to fiscal year ended September 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of fiscal year by \$10,120,447 (net position). Of this amount, \$3,214,841 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The government's total net position increased \$1,447,205 (17%) as total revenues of \$8,088,110 exceeded total expenses of \$6,640,905.
- At close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,220,465, an increase of \$197,202 (4%) in comparison with prior fiscal year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2,468,145, or 44%, of total General Fund expenditures for the year ended September 30, 2014.
- The Town's total capital assets were \$12,108,576, increasing by \$1,448,087 (14%) during the current fiscal year, due to additions of \$1,770,522 offset by depreciation expense of \$322,435.
- The Town's total long-term obligations decreased \$132,070 (2%) during the current fiscal year. The Town had principal payments on outstanding debt of \$305,148, amortization of the bond discount of \$3,602 and the compensated absences liability decreased by \$10,524. In addition, the Town entered into an agreement to purchase land with a purchase price of \$180,000.
- The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB #65) in 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which was adopted by the Town in 2013. The Town's former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs and deferred revenue liability (for unavailable revenue and deferred revenue) in its statements of financial position. Under GASB #65, bond issuance costs are expensed in the period incurred and any such unamortized bond issuance costs that were incurred and capitalized in previous years would be written off as an adjustment to beginning net position. Accordingly, for its government-wide financial statements, the Town wrote off \$163,467 in previously capitalized and unamortized bond issuance costs as of October 1, 2013. Deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown a component of deferred inflows of resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of the Town.

The financial statements include two kinds of financial statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business and are presented using the accrual basis of accounting. In addition, the *fund financial statements* provide a more detailed look at the Town's activities and are presented using the modified accrual basis of accounting.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements

The *statement of net position* presents the Town's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the fiscal year. The statement presents all underlying events which give rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items, such as uncollected taxes or earned but unused annual leave that will produce changes in cash flows in future fiscal periods.

Typically, both *government-wide financial statements* distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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 Town include administrative, planning, police, fire, public services, and recreation. The Town has no business-type activity.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - *Governmental funds*, presented on pages 18 through 24 are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, *governmental fund financial statements* focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The relationship between the *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in reconciliations that are a part of the fund financial statements.

Governmental funds individually presented in the Town of Moncks Corner's statements include four major funds: the General Fund, the Franchise Fund, the Recreation Complex Capital Projects Fund and the Community Recreation Complex Debt Service Fund. The Town also maintains nine non-major governmental funds presented in a total column termed as "Other Governmental Funds".

Fiduciary Funds - *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

Agency Funds are used to account for assets the Town holds on behalf of others. The Firefighter's Fund is used to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by out of state fire insurance companies.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 47 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 4 through 13 and 49 through 51 of this report. The Town adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 49.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The combining statements referred to earlier in connection with the nonmajor special revenue, debt service and capital improvements funds are presented immediately following the required supplementary information on pages 54 through 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2014 are prepared using the financial statement-reporting model as mandated by the Governmental accounting Standards Board (GASB).

STATEMENT OF NET POSITION

	<u>2014</u>	<u>2013 *</u>
Assets		
Current and other assets	\$ 8,871,132	\$ 9,001,204
Capital assets	12,108,576	10,660,489
Total Assets	<u>20,979,708</u>	<u>19,661,693</u>
Liabilities		
Long term	8,000,978	8,133,048
Other liabilities	708,930	755,889
Total Liabilities	<u>8,709,908</u>	<u>8,888,937</u>
Deferred Inflows of Resources		
Deferred revenue	2,149,353	2,099,514
Total Deferred Inflows of Resources	<u>2,149,353</u>	<u>2,099,514</u>
Net Position		
Net invested in capital assets	4,222,826	2,653,193
Restricted for		
Tourism	52,100	43,837
Capital projects	1,080,832	1,660,230
Debt service	864,069	819,307
Other	685,779	618,882
Unrestricted	3,214,841	2,877,793
Total Net Position	<u>\$ 10,120,447</u>	<u>\$ 8,673,242</u>

* FY 2013 balances have been restated for comparability purposes due to prior period adjustments and the implementation of GASB #65. See Notes I.B and IV.G in the notes to the financial statements for more detail.

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The Town's assets exceeded liabilities and deferred inflows of resources by \$10,120,447 as of September 30, 2014. The Town's net position increased \$1,447,205 (17%) during fiscal year 2014.

The Town's capital assets at September 30, 2014 increased \$1,448,087 (14%) from the prior year, primarily due to construction in progress of \$1,335,349 for the Town's new recreation complex. Other additions included land acquisitions of the White Street properties and donated land in Jacobs Cove Subdivision totaling \$194,000; land improvements of \$66,902 and capital equipment of \$174,261 including four new police vehicles. Total liabilities at September 30, 2014 decreased \$179,029 due to debt payments and a reduction of compensated absences and accounts payable. Deferred inflows of resources increased \$49,839 due to additional deferred property tax revenue.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

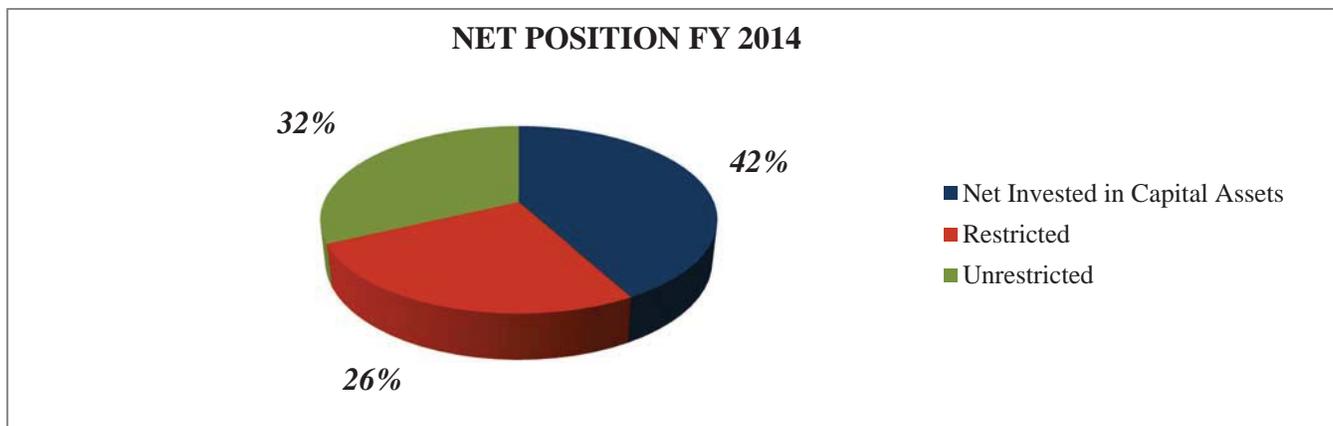
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

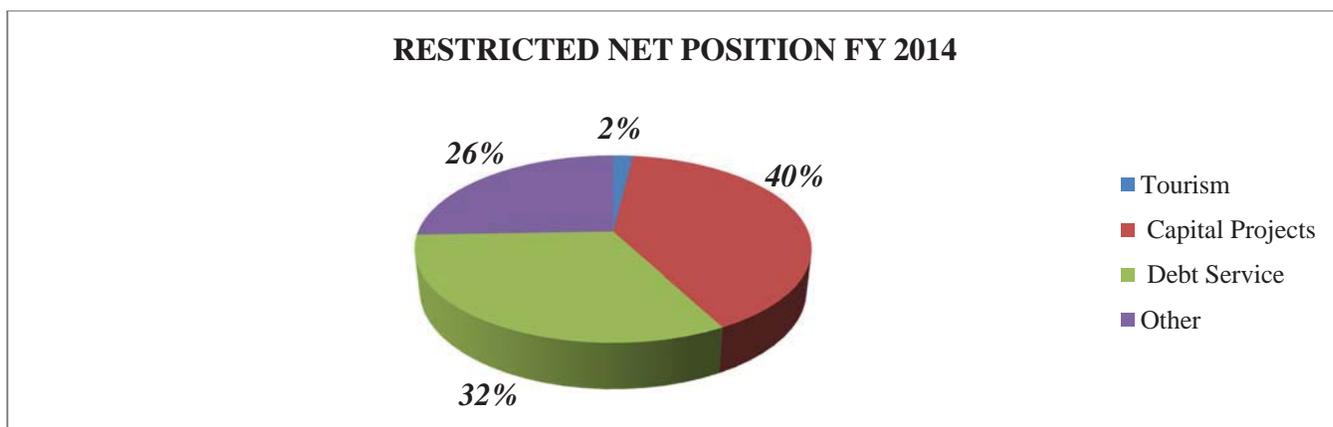
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Assets exceeded liabilities and deferred inflows of resources by approximately \$10,120,447 (net position). The largest portion of the Town's net position, \$4,222,826 (42%), is invested in capital assets (i.e., land, buildings, equipment, infrastructure, etc.) less any related outstanding debt, including capital leases, used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 generally be used to liquidate these liabilities.

An additional portion of the Town's net position, \$3,214,841 (32%), represents unrestricted net position and may be used to meet the government's ongoing obligation to citizens and creditors. The remaining balance of \$2,682,780 (26%) is restricted for tourism, capital projects, debt service and other obligations.



The major portion of restricted net position, \$1,080,832 (40%), is to be expended for Capital Projects such as the completion of the Moncks Corner Regional Recreation Complex. Another significant portion, \$864,069 (32%), is to be used for Debt Service including the Town's annual general and revenue bond payments. The remainder, \$737,879 (28%), is restricted for Tourism and Other obligations.



TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

STATEMENT OF ACTIVITIES

	<u>2014</u>	<u>2013</u>
REVENUES		
Program Revenues		
Charges for services	\$ 2,722,925	\$ 2,454,805
Operating grants and contributions	137,266	248,255
Capital grants and contributions	527,612	505,341
General Revenues		
Property taxes, including fee in lieu of taxes	1,683,438	1,552,471
Local option sales taxes	1,114,817	1,039,585
Hospitality taxes	726,693	662,852
Accommodations taxes	75,601	58,380
Franchise fees	687,710	699,065
Unrestricted revenue from use of money and property	178,040	167,766
Intergovernmental	119,050	-
Miscellaneous	111,933	22,462
Gain on Disposal on Capital Assets	3,025	-
Total Revenues	<u>8,088,110</u>	<u>7,410,982</u>
EXPENSES		
Administration	1,303,069	1,520,229
Planning	263,617	295,413
Police	1,935,847	1,847,774
Fire	949,909	874,968
Public service	881,361	1,115,545
Recreation	765,694	372,668
Interest and other charges	541,408	294,497
Total Expenses	<u>6,640,905</u>	<u>6,321,094</u>
Change in Net Position	1,447,205	1,089,888
Net Position		
Beginning of year, as restated (Note I.B. & IV.G)	8,673,242	7,583,354
Net Position - End of Year	<u>\$ 10,120,447</u>	<u>\$ 8,673,242</u>

The Town's net position increased \$1,447,205 (17%) during FY 2014 due to revenues exceeding expenses.

Total Revenues increased \$677,128 (9%) from FY 2013 with key elements of this increase as follows:

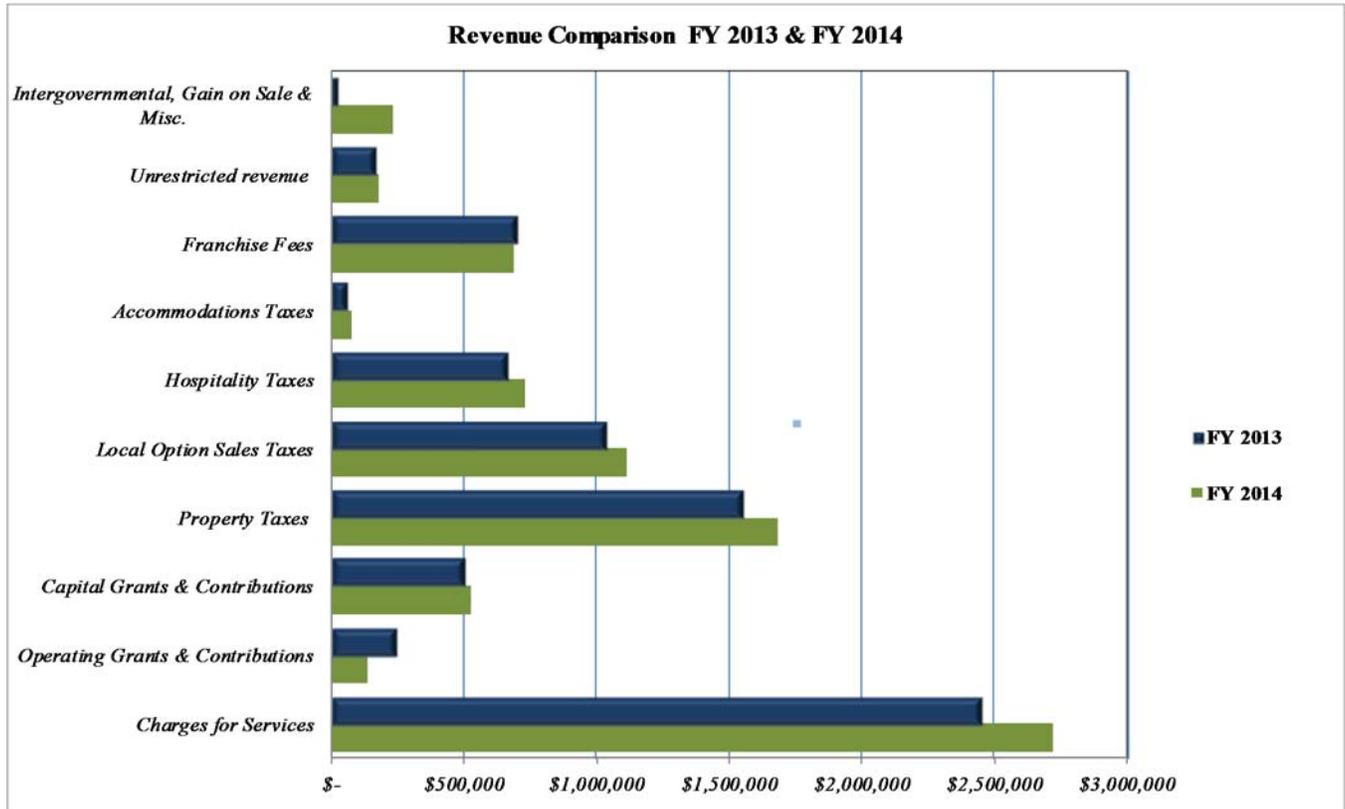
- Charges for Services increased \$268,120 (11%) due to business license fees, building permits and plan review receipts.
- Capital Grants and Contributions were \$527,612 for FY 2014. The majority of this amount, a \$450,000 grant received from the SC Department of Parks, Recreation and Tourism, with the remainder of \$77,612 in contributions for the Town's new recreation complex.
- Property tax collections increased \$130,967 (8%) during the year.
- Local Option Sales Taxes increased \$75,232 (7%) from fiscal year 2013.
- Local Hospitality Taxes increased \$63,841 (10%) and Local and State Accommodations Taxes increased by \$17,221 (29%) in FY 2014.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



The Town's total departmental expenses increased \$72,900 (1%) from FY 2013 with key elements of this increase as follows:

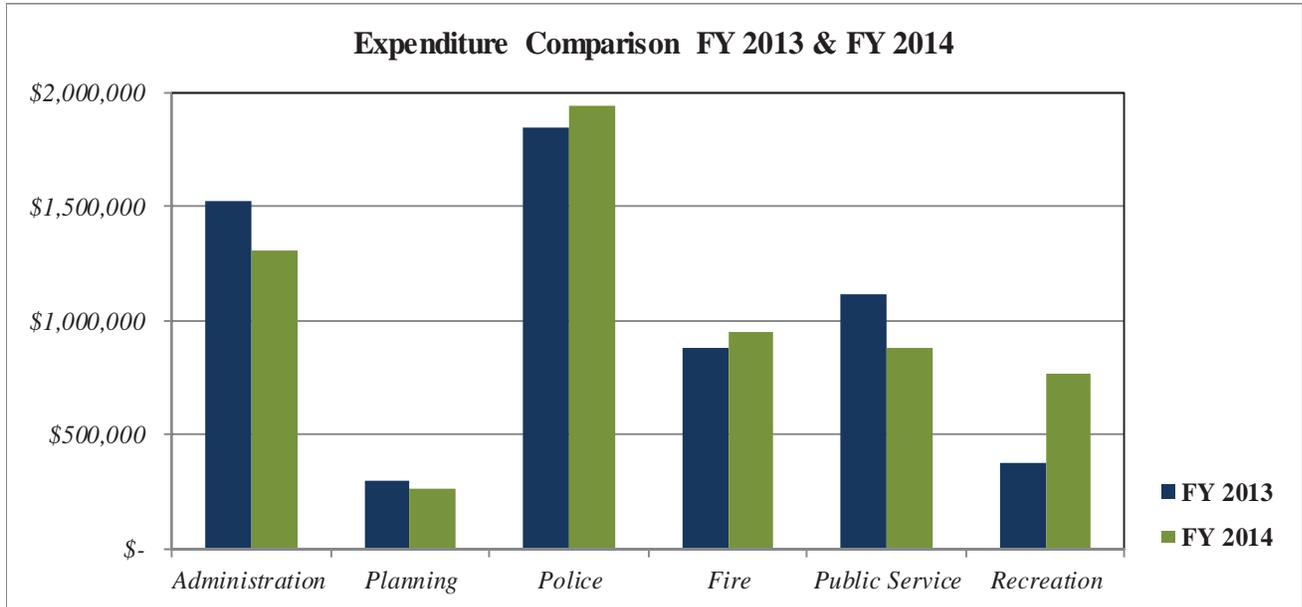
- Recreation expenses significantly increased by \$393,026 (105%) primarily due to Santee Cooper's underground lines at the new recreation complex.
- Police and Fire expenses increased slightly at a combined \$163,014 (14%) due to increased personnel health premiums and retirement rates.
- Other function expenses decreased from fiscal year 2013 as depicted in the graph below.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds - The focus of the Town's governmental funds, presented on pages 18 through 24, is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year 2014, the Town's governmental funds reported combined ending fund balances of \$5,220,465. Of this amount, \$1,080,832 is restricted for capital projects and will be used for the development of the recreation complex. Other restricted amounts are as follows: \$52,100 restricted for tourism to promote the Town; \$864,069 restricted for debt payments on the revenue and general obligation bonds; the remaining restricted amount of \$685,779 is to reimburse Foxbank Commercial Development, LLC for traffic impact fees associated with the development of Foxbank Plantation. The nonspendable amount of \$62,581 is for inventory and prepaids. The assigned amount of \$6,986 is to be used for capital improvements per Council's designation. The remainder of the total governmental fund balance of \$2,468,118 is unassigned General Fund fund balance.

General Fund - The General Fund is the chief operating fund of the Town. As of September 30, 2014, the total fund balance was \$2,530,726. As a measure of liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund, \$2,468,145 represents approximately 44% of the total General Fund expenditures. This total represents about five months of general operating funds. The net increase in the fund balance of the General Fund was \$645,468 (34%) during FY 2014. Some of the highlights for the increase in fund balance for the General Fund are as follows:

- General Fund revenues increased by \$672,870 (12%) over the prior year primarily due to the following:
 - Property taxes increased \$359,809 (16%) above the prior year's revenue due to growth in the housing market and annexations.
 - Licenses, permits and franchise fees increased by \$272,233 (13%) primarily related to construction activity within the Town.
 - Charges for services increased \$52,148 (10%) due to sanitation and recreation fees.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Franchise Fund - The Franchise Fund fiscal year 2013 fund balance was restated due to the understatement of deferred revenue of approximately \$988,500 as disclosed in note IV.G. The Town of Moncks Corner and Santee Cooper have an agreement that states 20% of the total franchise fees paid by Santee Cooper will be allocated to a fund held by Santee Cooper and solely used to construct underground power line projects within the Town. In addition, to the franchise fees allocated to the fund, Santee Cooper also contributes an additional amount equal to 20% of the franchise fees. These funds are retained by Santee Cooper until allowable expenditures are incurred. The Town's Franchise Fund records revenues and related expenditures used to construct underground power line projects such as the underground facilities at the Recreation Complex and SC6 / US 17A intersection conversion. Total project expenditures were \$785,699 for fiscal year 2014.

Recreation Complex Capital Projects Fund - The Recreation Complex Capital Projects Fund is used to allocate revenue from local accommodation taxes and local hospitality taxes for the construction of the Moncks Corner Regional Recreation Complex. The restricted fund balance of \$1,080,832 decreased \$579,398 from FY 2013 due to expenditures and other financing uses exceeding revenues. The fund's revenues increased \$72,250 (6%) primarily due to hospitality taxes collected by local businesses. Fiscal year 2014 expenditures increased by \$587,775 (73%) as construction progressed. Other financing uses remained the same as last fiscal year of \$432,000 transfers-out to the Community Recreation Complex Debt Service Fund for debt payments on the related revenue bonds to ensure bond payments are made on a timely basis. Detailed information of the revenue bonds can be found in Note III.E.

Other Governmental Funds - The Other Governmental Funds are non-major funds which have a combined total fund balance of \$825,629, an increase of \$111,590 (16%) from last year. The other governmental funds consist of seven special revenue funds, a debt service fund and a capital improvements fund. The special revenue funds account for proceeds of specific revenue sources that are restricted or assigned to specified expenditures. The Town's special revenue funds are comprised of the Victims' Assistance Fund, Accommodations Tax Fund, Moncks Corner Depot Fund, Police Summer Camp Fund, Police Drug Fund, Foxbank Fund and an Alcohol Permits Fund. The Debt Service Fund is used to allocate the 3 mills of property tax collections to pay the Town's general obligation bond debt. The Capital Improvements Fund represents the portion of local option sales tax that Town Council voted to use for capital improvements. These funds are presented in detail on 54 through 57.

General Fund Budgetary Highlights

By state statute, Town Council adopts an annual operating budget for the Town by the last day of September. The General Funds actual revenues were \$6,244,771 resulting in a favorable variance of \$614,290 compared to budgeted revenues. Actual expenditures were \$5,626,765 and were \$210,618 less than budget. As a result of management's decisions, all departments were under budget for FY 2014.

Overall, the Town's fund balance increased \$831,620. A budgetary comparison schedule can be found on page 49.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Town's capital assets for its governmental activities as of September 30, 2014, amount to \$12,108,576 (net of accumulated depreciation). This amount is an increase of \$1,448,087 (14%) from fiscal year 2013. The most significant addition is \$1,335,349 in the capitalization of the construction at the recreation complex. The Town also acquired land on White Street and at Jacobs Cove valued at \$194,010 as well as depreciable assets of \$241,163 consisting of land improvements, equipment and vehicle purchases including four new police cars.

Additional information on the Town's capital assets can be found in Note III.D. on pages 38 through 39 of this report.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long Term Debt - At fiscal year end, the Town's total long term debt was \$8,000,978 (including compensated absences). Of this amount, \$424,982 is general obligation bond debt. General obligation bonds are secured by the Town's full faith, credit and taxing power. Principal and interest are paid out from the Debt Service Fund from three mills of property tax collections for debt service. State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent (8%) of its total assessed value. As of September 30, 2014, the debt limitation for the Town is \$3,270,509. Total assessed value of real, personal, and vehicle taxes within the Town's taxing jurisdiction is \$40,881,361. The Town is currently at thirteen percent (13%) of its general obligation bond debt limit resulting in an unused legal debt margin of approximately \$2,846,000.

Other long term debt consists of \$6,426,349 (net of unamortized discounts) of revenue bonds that were issued October 2010 for the land acquisition and construction of the recreation complex. The revenue bond debt payments are secured by the local hospitality and local accommodations tax revenue collected in the Recreation Complex Capital Project Fund and transferred to the Community Recreation Complex Debt Service Fund for principal and interest payments.

Remaining debt of \$1,149,647 consists of notes payable, lease purchases and compensated absences. Of this amount, notes payable is \$943,119 comprising of \$800,000 note for the completion of Phase I of the recreation complex and notes of \$143,119 to obtain land on White Street and Railroad Avenue. Other debt includes lease purchases of \$91,300 for a fire squad and compensated absences payable of \$115,228.

The Town's total long term debt decreased \$132,070 for FY 2014. The Town made payments of \$305,148 and amortized \$3,602 of bond discounts, and the compensated absences liability decreased by \$10,524.

Additional information on the Town's long term debt can be found in Note III. E. on pages 39 through 42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

- Tourism is expected to be generated from the completion of the Town's new recreation complex consisting of four ball fields, a football / soccer field, farmers market and walking trail.
- Future 40 unit duplex residential development located at the corner of Barony Street and Rembert Dennis Boulevard will be assessed at the higher rate of 6% due to rental occupancy.
- Parking improvements at Gulledge and Heatley Streets are in the initial planning phase. Other parking improvements on White Street will provide space for customers of local businesses.
- Property tax credits of \$675,000 will be allocated to the municipal taxpayers on their tax bills for fiscal year 2015 budget.
- Mayor and Town Council budgeted the use of ten percent of the local option sales tax for capital improvements, such as drainage improvements on Carolina Avenue.
- Tax revenues are anticipated to increase due to the opening of Chick-fil-A and other restaurants within town limits.
- The operating property tax millage rate for FY 2015 will decrease to 56.4 mills from FY 2014's 58.4 mills to reflect the "roll back" due to reassessment of property tax values.
- Debt millage rate for FY 2015 will remain the same at 3 mills to pay outstanding general obligation bond payments.
- General obligation bond of \$1,780,000 will be issued in FY 2015 to repay the \$800,000 note, assist with project costs at the recreation complex and contribute to the preliminary development of the Foxbank Fire Station.
- Business license revenues are anticipated to increase as the Town conducts an audit of local business vendor lists.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES (CONTINUED)

- Berkeley County's unemployment rate is 5.8% and below the State's rate of 6.5%. Currently, no data is available specifically for the Town of Moncks Corner.
- Transportation impact fees will no longer be imposed on builders in Berkeley County which will affect the Town's allocation of Foxbank permit fees. The Town has an agreement with Foxbank Developers whereas all Foxbank permit fees are restricted to reimburse the developers for all transportation impact fees paid to Berkeley County. These permit fees will now be unrestricted revenues recorded in the General Fund.
- An additional police officer position will be added in the FY 2015 budget to increase public service.
- The IRS has issued a sequestration on Build America Bonds reducing the interest subsidy by 8.7%.

Requests for Information

The financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lisa Hancock, Town Accountant, lisa.hancock@twn-mc.com or mailed to 118 Carolina Avenue, Moncks Corner, South Carolina 29461.



Basic Financial Statements

TOWN OF MONCKS CORNER, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,416,886
Receivables:	
Due from other governments	1,002,724
Taxes receivable	2,261,994
Accounts receivable	321,759
Prepaid expenses	62,991
Cash and cash equivalents - restricted	783,278
OPEB asset	21,500
Capital assets:	
Non-depreciable	9,372,489
Depreciable, net	2,736,087
TOTAL ASSETS	<u>20,979,708</u>
LIABILITIES	
Accounts payable	276,228
Bail and bonds posted	6,212
Accrued salaries and wages	72,745
Retainage payable	204,250
Accrued interest payable	149,495
Long-term obligations:	
Due within one year	1,186,883
Due in more than one year	6,814,095
TOTAL LIABILITIES	<u>8,709,908</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	2,149,353
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,149,353</u>
NET POSITION	
Net investment in capital assets	4,222,826
Restricted for:	
Tourism	52,100
Capital projects	1,080,832
Debt service	864,069
Other	685,779
Unrestricted	3,214,841
TOTAL NET POSITION	<u>\$ 10,120,447</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities:					
Administrative	\$ 1,303,069	1,614,499	-	-	\$ 311,430
Planning	263,617	302,774	-	-	39,157
Police	1,935,847	244,877	136,657	-	(1,554,313)
Fire	949,909	-	-	-	(949,909)
Public service	881,361	463,446	609	-	(417,306)
Recreation	765,694	97,329	-	527,612	(140,753)
Interest Expense	541,408	-	-	-	(541,408)
TOTAL PRIMARY GOVERNMENT	\$ 6,640,905	2,722,925	137,266	527,612	(3,253,102)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					1,683,438
Local Option Sales Taxes					1,114,817
Hospitality Taxes					726,693
Accommodation Taxes					75,601
Franchise Taxes					687,710
Unrestricted Revenue from Use of Money and Property					178,040
Intergovernmental					119,050
Miscellaneous					111,933
Gain on Disposal of Capital Assets					3,025
Total General Revenues					<u>4,700,307</u>
CHANGE IN NET POSITION					1,447,205
NET POSITION, Beginning of Year					8,697,124
Adjustment for Implementation of GASB #65					(163,467)
Adjustment for Local Option Sales Taxes - See Note IV.G					<u>139,585</u>
NET POSITION, Beginning of Year - Restated					<u>8,673,242</u>
NET POSITION, End of Year					<u>\$ 10,120,447</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	GENERAL FUND	FRANCHISE FUND
ASSETS		
Cash and cash equivalents	\$ 2,309,646	-
Receivables:		
Due from other governments	203,852	785,699
Taxes receivable	2,100,282	-
Accounts receivable	213,225	-
Prepaid expenses	62,581	-
Due from other funds	-	-
Cash and cash equivalents - restricted	-	-
TOTAL ASSETS	\$ 4,889,586	785,699
LIABILITIES		
Accounts payable	\$ 193,260	-
Bail and bonds posted	6,212	-
Accrued salaries and wages	71,360	-
Retainage payable	-	-
Due to other funds	2,087	-
TOTAL LIABILITIES	272,919	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	86,398	785,699
Deferred revenue	1,999,543	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,085,941	785,699
FUND BALANCES		
Nonspendable:	62,581	-
Restricted:		
Tourism	-	-
Capital projects	-	-
Debt service	-	-
Other	-	-
Assigned:		
Capital projects	-	-
Unassigned	2,468,145	-
TOTAL FUND BALANCES	2,530,726	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,889,586	785,699

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

RECREATION COMPLEX PROJECT FUND	COMMUNITY RECREATION COMPLEX DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
1,294,709	-	812,531	\$ 4,416,886
-	-	13,173	1,002,724
-	-	161,712	2,261,994
65,121	-	-	278,346
-	-	410	62,991
259	-	1,828	2,087
-	783,278	-	783,278
1,360,089	783,278	989,654	\$ 8,808,306
75,007	-	7,961	\$ 276,228
-	-	-	6,212
-	-	1,385	72,745
204,250	-	-	204,250
-	-	-	2,087
279,257	-	9,346	561,522
-	-	4,869	876,966
-	-	149,810	2,149,353
-	-	154,679	3,026,319
-	-	-	62,581
-	-	52,100	52,100
1,080,832	-	-	1,080,832
-	783,278	80,791	864,069
-	-	685,779	685,779
-	-	6,986	6,986
-	-	(27)	2,468,118
1,080,832	783,278	825,629	5,220,465
1,360,089	783,278	989,654	\$ 8,808,306

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

SEPTEMBER 30, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,220,465**

Amounts reported for the governmental activities in the Statement of Net Position
are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$15,065,009 and the accumulated depreciation was \$2,956,433. 12,108,576

Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:

Property tax	69,853
School resource officer	21,414
Franchise fees	785,699
OPEB asset	21,500
Interest receivable	43,413

Long-term obligations, including debt, lease purchase obligations and compensated absences, are not due or payable in the current period and therefore are not reported in the governmental funds.

Long-term obligations consisted of:

Debt and lease purchase obligations	(7,979,401)
Bond discount	93,651
Compensated absences	(115,228)
Accrued interest payable	(149,495)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 10,120,447**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND	FRANCHISE FUND
REVENUES		
Taxes	\$ 2,679,135	-
Licenses, permits, and franchise fees	2,403,701	178,990
Intergovernmental revenue	334,507	-
Charges for services	568,235	-
Fines and forfeitures	206,820	-
Miscellaneous revenues	52,373	180,959
TOTAL REVENUES	6,244,771	359,949
EXPENDITURES		
Current:		
Administrative	1,232,789	-
Planning	263,624	-
Police	1,715,020	-
Fire	859,455	-
Public service	866,524	-
Recreation	410,977	359,949
Capital Outlay	187,137	-
Debt Service:		
Principal	89,645	-
Interest	1,594	-
TOTAL EXPENDITURES	5,626,765	359,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	618,006	-
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	3,025	-
Transfers in	49,199	-
Transfers out	(24,762)	-
TOTAL OTHER FINANCING SOURCES (USES)	27,462	-
NET CHANGES IN FUND BALANCES	645,468	-
FUND BALANCES, Beginning of Year	1,745,673	988,456
Prior period adjustments - see Note IV.G	139,585	(988,456)
FUND BALANCES, Beginning of Year - Restated	1,885,258	-
FUND BALANCES, End of Year	\$ 2,530,726	-

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

RECREATION COMPLEX PROJECT FUND	COMMUNITY RECREATION COMPLEX DEBT SERVICE FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
753,740	-	117,242	\$ 3,550,117
-	-	123,671	2,706,362
450,000	-	48,554	833,061
-	-	-	568,235
-	-	30,527	237,347
42,625	131,107	18,556	425,620
1,246,365	131,107	338,550	8,320,742
10,731	60	44,590	1,288,170
-	-	-	263,624
-	-	63,921	1,778,941
-	-	-	859,455
-	-	-	866,524
-	-	-	770,926
1,369,463	-	1,990	1,558,590
-	140,000	75,503	305,148
13,569	403,505	16,519	435,187
1,393,763	543,565	202,523	8,126,565
(147,398)	(412,458)	136,027	194,177
-	-	-	3,025
-	432,000	62,870	544,069
(432,000)	-	(87,307)	(544,069)
(432,000)	432,000	(24,437)	3,025
(579,398)	19,542	111,590	197,202
1,660,230	763,736	714,039	5,872,134
-	-	-	(848,871)
1,660,230	763,736	714,039	5,023,263
1,080,832	783,278	825,629	\$ 5,220,465

TOWN OF MONCKS CORNER, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 197,202
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Because some revenues will not be collected for several months after the Town's fiscal year ends, they are not considered to be available and are therefore deferred in the governmental funds.	(279,070)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the Statement of Net Position.	(180,000)
Bond principal payments and lease purchase payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	301,546
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This amounts represents the change in accrued interest from the prior year.	(59,206)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the change in the accrual for compensated absences and the OPEB asset compared to prior year.	18,646
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents the amount by which capital asset additions exceeded depreciation in the current period.	1,448,087
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,447,205

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

SEPTEMBER 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 26,809
Accounts receivable	107
TOTAL ASSETS	<u>\$ 26,916</u>
LIABILITIES	
Assets held for others	\$ 26,916
TOTAL LIABILITIES	<u>\$ 26,916</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

The Town of Moncks Corner, South Carolina (the “Town”) operates under a charter originally granted by the State of South Carolina on December 26, 1885. The Mayor and six council members (the “Council”) establish policy for the Town. Administrative functions are directed by the Town Administrator. The Town’s major operations, as provided by its charter, include general administrative services, planning, public safety (police and fire), public service and recreation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

As required by GAAP, the financial statements must present the Town’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one blended component unit.

Blended Component Unit. The Moncks Corner Regional Recreation Corporation (the “Corporation”) is a tax-exempt, 501(c)(3) not-for-profit organization. The Corporation was organized exclusively for public and charitable purposes, specifically for the acquisition and construction of the Moncks Corner Regional Recreation Complex, issuance of bonds to finance the construction, and ownership of the facility. The Corporation leases the facility to the Town for essential governmental functions through a tax-exempt lease purchase agreement which commenced in the year ended September 30, 2013. The Corporation is governed by a three member Board of Directors. Separate financial statements for the Corporation are not issued. The activities of the Corporation are reported in the Town’s financial statements as a major debt service fund.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Town implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65") in the year ended September 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the Town in the year ended September 30, 2013. The Town's former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs and deferred revenue liability (for unavailable revenue and deferred revenue) in its statements of financial position. Under GASB #65, bond issuance costs are expensed in the period incurred and any such unamortized bond issuance costs that were incurred and capitalized in previous years would be written off as an adjustment to beginning net position. Accordingly, for its government-wide statements, the Town wrote off \$163,467 in previously capitalized and unamortized bond issuance costs as of October 1, 2013. Deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease purchase are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and reported in a single column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used as an aid to management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds.

The Town's governmental fund types and major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following major special revenue funds:

The **Franchise Fund, a major fund** and an unbudgeted fund, is used to account for the accumulation of resources from the Town's underground utilities franchise fee. These funds are to be spent only for support of the underground utilities.

Non-major special revenue funds consist of the following: Victims' Assistance, Accommodations Tax, Moncks Corner Depot, Police Summer Camp, Police Drug, Foxbank, and Alcohol Permits.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned for (a) the acquisition, construction, or renovation of major capital facilities, (b) ongoing major improvement projects which usually span more than one year, and (c) major equipment or other capital asset acquisitions which are not financed by another fund. The Town has the following major capital projects fund:

The *Recreation Complex Project Fund, a major fund* and an unbudgeted fund, (formerly known as the Community Recreation Center Projects fund) is used to account for and report the accumulation of resources, including local accommodations and hospitality taxes, which will be used to construct a new recreation center in the Town.

The Town also reports one non-major capital projects fund.

Debt service funds are used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources.

The *Community Recreation Complex Debt Service Fund, a major fund* and an unbudgeted fund, (formerly known as the Moncks Corner Regional Recreation Complex Project Fund) is used to account for and report the proceeds and servicing of debt issued for the purpose of financing the construction of a recreation facility.

The Town also reports one non-major debt service fund that is used to service the Town's outstanding general obligation bonds.

Fiduciary fund types include the *Agency Fund*. This fund is used to account for assets held by the Town on behalf of individuals, other governments, and/or other funds. The Town of Moncks Corner Fire Department is accounted for as an agency fund. The Agency Fund is custodial in nature and does not present results of operations.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not money market mutual funds are reported as investments.

Investments

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the 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.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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 county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the 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.

The Town's cash investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments:

- Open-end mutual funds which are primarily invested in money market funds which invest in short-term obligations of the United States and related agencies.
- Repurchase agreements, as described in (f) above

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of year end, balances of interfund amounts or payables have been recorded.

Taxes receivable shown are comprised of delinquent real property taxes and the January 2014 property tax assessment levied for the 2015 fiscal year, which is deferred in the General Fund and Debt Service Fund.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures are reported in the year in which services are consumed.

4. Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. As allowed by GASB #34, the Town has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town maintains a minimum capitalization threshold of \$5,000 for all capital assets.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Description	Years
Land Improvements	10-30 years
Buildings	10-50 years
Equipment	3-15 years
Vehicles	5-12 years

5. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the Town. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. *Compensated Absences (Continued)*

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The entire compensated absence liability and expense is reported in the government-wide financial statements. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year end that are expected to be paid within a short time subsequent to year end (if material).

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements, debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are recognized during the period in which they are incurred.

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

7. *Deferred Outflows and Inflows of Resources*

As defined by GASB Concept Statement No. 4, *Elements of Financial Statements*, deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Town's statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town does not currently have any deferred outflows of resources.

In addition to liabilities, the Town's statements of financial position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of deferred inflows of resources. One of these arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds Balance Sheet. This item is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. The other item arises under both the modified and full accrual basis of accounting. Accordingly, the item, *deferred revenue*, is reported not only in the governmental funds Balance Sheet but also in the government-wide Statement of Net Position. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance

The Town implemented GASB #54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB #54") in fiscal year 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Town classifies governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council assigns fund balance by an approved motion before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are incurred.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Statement of Net Position. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

10. Accounting Estimates

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

11. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town has elected to present its budgetary comparison information for the General Fund as a separate schedule and not as a financial statement. The Town does not have a legally adopted budget for the major special revenue or capital project funds. See the Notes to the Budgetary Comparison Schedule following the notes to the financial statements for details regarding the Town's budgetary information and process.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of September 30, 2014, none of the Town's bank balances of \$2,512,668 (with a carrying value of \$2,557,886) were uncollateralized and exposed to custodial credit risk.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Deposits and Investments (Continued)

Investments

As of September 30, 2014, the Town had the following investments and maturities (as defined by GASB #40):

Investment Type	Fair Value	Maturity	Credit Rating
Advantage Government Money Market Fund	\$ 477,689	^	Unrated
Repurchase Agreement	2,191,398	< 1 year	Unrated
	\$ 2,669,087		

^ Investments in 2a 7-like funds are not required to disclose interest rate risk.

Interest Rate Risk: The Town does not have a formal investment policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates; however, its investments are generally short-term, which limits its interest rate risk.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2014, the Town was not exposed to custodial credit risk for its investments.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town minimizes this risk by investing in instruments that consist of U.S. Government obligations and/or repurchase agreements collateralized by U.S. Government obligations.

Concentration of Credit Risk for Investments: The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash and cash equivalents of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2014 were those imposed by the revenue source (i.e. hospitality tax, accommodations tax, etc.) and unspent bond proceeds.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Reconciliation to Statement of Net Position

<u>Statement of Net Position</u>	<u>Amount</u>
Unrestricted Current Assets:	
Cash and Cash Equivalents	\$ 4,416,886
Restricted Current Assets:	
Cash and Cash Equivalents, Restricted	783,278
	<u>5,200,164</u>
<u>Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund</u>	
Unrestricted Current Assets:	
Cash and Cash Equivalents	26,809
Total per the financial statements	<u><u>\$ 5,226,973</u></u>
<u>Notes</u>	
Carrying Value of Deposits	\$ 2,557,886
Investments	2,669,087
Total per the notes	<u><u>\$ 5,226,973</u></u>

B. Receivables and Deferred Inflows of Resources

The Town's 2013 property taxes were levied on October 1, 2013 and were due beginning on this date based on the assessed valuation as of January 1, 2013. Property taxes were considered late on January 16, 2014. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

January 16 through February 1	- 3% penalty for tax due
February 2 through March 15	- 10% penalty for tax due
March 16 - Lien Date	- 15% penalty for tax due plus \$15 for a delinquent execution charge

Assessed values are established by the Berkeley County Tax Assessor and the South Carolina Tax Commission. The Town's operating and debt service tax rates for the 2013 property tax year were 58.4 mills and 3.0 mills, respectively. Town property taxes are billed and collected by Berkeley County under a joint billing and collection agreement.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Deferred Inflows of Resources (Continued)

The Town had net receivables related to governmental funds at September 30, 2014, of the following:

Description	General Fund	Franchise Fund	Recreation Complex Fund	Accommodations Fund	Debt Service Fund	Totals
Property taxes	\$ 2,100,282	-	-	-	161,712	\$ 2,261,994
Local Option Sales Tax	97,904	-	-	-	-	97,904
Accommodations Taxes	-	-	6,809	13,173	-	19,982
Hospitality Taxes	-	-	58,312	-	-	58,312
Franchise Fees	173,894	785,699	-	-	-	959,593
State Aid to Subdivisions	57,525	-	-	-	-	57,525
Other	87,754	-	-	-	-	87,754
Net Receivables	<u>\$ 2,517,359</u>	<u>785,699</u>	<u>65,121</u>	<u>13,173</u>	<u>161,712</u>	<u>\$ 3,543,064</u>

There were no material allowances for uncollectible amounts.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2014, the governmental funds had \$876,966 in deferred inflows of resources related to property taxes, franchise fees and other receivables that were not available and \$2,149,353 in deferred inflows of resources related to property taxes that were levied for fiscal year 2015.

C. Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2014, consisted of the following:

Fund	Receivables	Payables
General Fund	\$ -	\$ 2,087
Recreation Complex Project Fund	259	-
Nonmajor Governmental Funds	1,828	-
Totals	<u>\$ 2,087</u>	<u>\$ 2,087</u>

Interfund balances generally result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

Transfers between funds for the year ended September 30, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 49,199	\$ 24,762
Recreation Complex Project Fund	-	432,000
Community Recreation Complex Debt Service Fund	432,000	-
Nonmajor Governmental Funds	62,870	87,307
Totals	<u>\$ 544,069</u>	<u>\$ 544,069</u>

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

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 4,288,950	194,010	-	\$ 4,482,960
Construction In Progress	3,554,180	1,335,349	-	4,889,529
Total Capital Assets, Non-Depreciable	<u>7,843,130</u>	<u>1,529,359</u>	<u>-</u>	<u>9,372,489</u>
Capital Assets, Depreciable:				
Land Improvements	498,325	66,902	-	565,227
Buildings	1,867,342	-	-	1,867,342
Equipment	669,934	26,797	-	696,731
Vehicles	2,525,788	147,464	110,032	2,563,220
Total Capital Assets, Depreciable	<u>5,561,389</u>	<u>241,163</u>	<u>110,032</u>	<u>5,692,520</u>
Less: Accumulated Depreciation for:				
Land Improvements	200,918	13,961	-	214,879
Buildings	633,089	31,937	-	665,026
Equipment	501,350	29,573	-	530,923
Vehicles	1,408,673	246,964	110,032	1,545,605
Total Accumulated Depreciation	<u>2,744,030</u>	<u>322,435</u>	<u>110,032</u>	<u>2,956,433</u>
Total Capital Assets, Depreciable, Net	<u>2,817,359</u>	<u>(81,272)</u>	<u>-</u>	<u>2,736,087</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,660,489</u>	<u>1,448,087</u>	<u>-</u>	<u>\$ 12,108,576</u>

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense for the Town's governmental activities was charged to functions/programs as follows:

Functions/Programs	Amount
Governmental Activities:	
Administrative	\$ 26,764
Police	162,334
Fire	93,554
Public service	13,900
Recreation	25,883
Total Depreciation Expense - Governmental Activities	<u>\$ 322,435</u>

As of September 30, 2014, the cost of vehicles under lease purchase was approximately \$145,550 and accumulated amortization on these assets was approximately \$25,377. Amortization of these assets has been included with depreciation expense.

E. Long-Term Obligations

The Town generally issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. Revenue bonds are obligations of the Town that are secured by revenue from a specific source. Lease purchase obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds or lease purchase obligations nor the interest thereon.

Details on the Town's outstanding debt issues and lease purchase obligations for the governmental activities as of September 30, 2014 are as follows:

	Principal Outstanding at Year End
<u>General Obligation Bonds</u>	
\$368,000 General Obligation Bonds (June 2011) were issued to finance the acquisition of a fire truck. Principal is payable annually and interest is payable semi-annually at a rate of 2.65%. Debt service requirements range from \$36,752 - 67,749 per year through September 1, 2021 and are funded with resources from the General Fund.	\$ 313,000
\$257,000 General Obligation Bonds (October 2008) were issued to finance the acquisition of property. Annual payments of \$30,930, including interest at a rate of 4.07% are required through February 15, 2018 and are funded with resources from the General Fund.	111,982
<u>Revenue Bonds</u>	
\$6,925,000 Installment Purchase Revenue Bond, Series 2010 (October 2010) were issued to finance the construction of the Moncks Corner Regional Recreation Facility. Principal is payable annually through July 1, 2019, and interest is due semi-annually at a rate of 4.225%. Debt service requirements range from \$396,512 to \$411,955 per year through December 1, 2039.	\$ 6,520,000

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<p><u>Notes Payable</u></p> <p>\$45,333 Note Payable (October 2012) was obtained to finance the purchase of land. Principal and interest are payable annually with interest at a rate of 4.00%. Total debt service requirements are \$24,061 annually through October 2014 and are funded with resources from the General Fund.</p>	\$ 23,119
<p>\$800,000 Note Payable (July 2013) was obtained to finance the construction of a recreation facility. Interest is payable semi-annually at a rate equal to the actual taxable commercial paper interest expense incurred by the lender (1.72% as of September 30, 2014). The principal balance is due in full on June 30, 2015 and will be funded with resources from the General Fund.</p>	800,000
<p>\$180,000 Note Payable (December 2013) was obtained to finance the purchase of land. Principal payments of \$60,000 are payable annually plus interest at a rate of 3.00% through December 2015 and are funded with resources from the General Fund.</p>	120,000
<p><u>Lease Purchases</u></p> <p>\$152,000 Lease Purchase (May 2012) was obtained to finance the purchase of vehicles for the fire department. These assets serve as collateral for this lease. Principal and interest are payable annually with interest at a rate of 1.30%. Total debt service requirements are \$31,427 annually through December 2016 and are funded with resources from the General Fund.</p>	\$ 91,300

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

A summary of changes in long-term obligations for the Town's governmental activities for the year ended September 30, 2014 is presented below.

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
GO Bond Series 2008	\$ 137,271	-	25,289	111,982	\$ 26,328
GO Bond Series 2011	341,000	-	28,000	313,000	29,000
Total General Obligation Bond Debt	478,271	-	53,289	424,982	55,328
Revenue Bonds:					
Series 2010	6,660,000	-	140,000	6,520,000	150,000
Discount - Series 2010	(97,253)	-	(3,602)	(93,651)	-
Net Revenue Bond Debt	6,562,747	-	136,398	6,426,349	150,000
Notes Payable:					
October 2012	45,333	-	22,214	23,119	23,119
June 2013	800,000	-	-	800,000	800,000
December 2013	-	180,000	60,000	120,000	60,000
Total Notes Payable	845,333	180,000	82,214	943,119	883,119
Lease Purchases:					
May 2012	120,945	-	29,645	91,300	30,216
Total Lease Purchases	120,945	-	29,645	91,300	30,216
Compensated Absences	125,752	63,927	74,451	115,228	68,220
Total Governmental Activities	\$ 8,133,048	243,927	375,997	8,000,978	\$ 1,186,883

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. As of September 30, 2014, the Town had approximately \$425,000 of bonded debt subject to the 8% limit of approximately \$3,271,000 resulting in an unused legal debt margin of approximately \$2,846,000.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below are the debt service requirements to maturity as of September 30, 2014.

Year Ending September 30,	Principal	Interest	Total
2015	\$ 1,118,663	431,346	\$ 1,550,009
2016	303,024	410,013	713,037
2017	250,005	401,971	651,976
2018	225,709	395,648	621,357
2019	232,000	389,561	621,561
2020-2024	1,080,000	1,865,244	2,945,244
2025-2029	1,165,000	1,748,270	2,913,270
2030-2034	1,435,000	1,604,244	3,039,244
2035-2039	1,775,000	1,436,848	3,211,848
2040	395,000	25,869	420,869
Totals	\$ 7,979,401	8,709,014	\$ 16,688,415

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the Town is a member of the South Carolina Municipal Insurance Reserve Fund ("SCMIRF"), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The Town pays an annual premium for this coverage. For the year ended September 30, 2014, the Town made premium payments totaling approximately \$62,000. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2013 totaled approximately \$28,412,000.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Town pays an annual premium to SCMIT. For the year ended September 30, 2014, the Town made premium payments totaling approximately \$219,000. SCMIT uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2013 totaled approximately \$48,279,000.

For the above public entity risk pools, there were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

B. Pension Disclosures

South Carolina Retirement and Police Officers' Retirement System

South Carolina Retirement and Police Officers' Retirement System: Town employees, except for fire and police department civil service personnel, participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. Town sworn police officers and firefighting personnel participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (Continued)

South Carolina Retirement and Police Officers' Retirement System (Continued)

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The SCPORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plans' provisions are established under Title 9 of the South Carolina Code of Laws and administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy.

A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960.

Both employees and the Town are required to contribute to the plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings.

	SCRS Rates			SCPORS Rates		
	2012	2013	2014	2012	2013	2014
<u>Employer Rate</u>						
Retirement	9.39%	10.45%	10.45%	11.36%	11.90%	12.44%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
	<u>9.54%</u>	<u>10.60%</u>	<u>10.60%</u>	<u>11.76%</u>	<u>12.30%</u>	<u>12.84%</u>
<u>Employee Rate</u>						
	<u>6.50%</u>	<u>7.00%</u>	<u>7.50%</u>	<u>6.50%</u>	<u>7.00%</u>	<u>7.84%</u>

The required contributions and percentages of amounts contributed for the past three years were as follows:

Year Ending September 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2014	\$ 113,997	100%	10.60%	\$ 186,740	100%	12.84%
2013	107,801	100%	10.60%	176,709	100%	12.30%
2012	\$ 97,430	100%	9.54%	\$ 155,853	100%	11.76%

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

IV. OTHER INFORMATION (CONTINUED)

C. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB #68"), which was issued by the GASB in June 2012, is required to be implemented by the Town for the fiscal year ended September 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that GASB #68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered.

In particular, the Town will be required to report a net pension liability (and related deferred outflows and inflows of resources) for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the Town's governmental funds.

The Town has been in communications with the PEBA on the effect of implementing this Statement. Based on recent information provided by the PEBA, it is anticipated that the Town's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the Town's unrestricted net position for the year ended September 30, 2015 by approximately \$4,276,000.

D. Other Postemployment Benefits

Plan Description

The Town sponsors a single-employer defined benefit healthcare plan (the "Plan") that provides health insurance for retirees. The Plan covers all employees provided that: (1) the person is employed by the Town at the time of retirement, (2) the employee is eligible to retire under SCRS or SCPORS, (3) the employee is at least age 55, and (4) the employee has served at least the last ten years as an employee of the Town at the time of retirement. The amount the Town contributes to the retirees' health insurance is approved in the annual budget. These contributions are neither guaranteed nor mandatory. Benefit provisions are established and amended by Town Council. The Plan does not issue a stand-alone financial report.

As of July 1, 2013, the measurement date, there were 72 covered members, including 5 retired participants receiving benefits.

Funding Policy

The Town contributes a fixed dollar amount toward the retiree's health insurance premium. In the year ended September 30, 2014, the Town contributed, on a monthly basis, up to \$212 for retiree only and retiree family healthcare coverage. For the Plan, the retiree contributes the balance between the actuarially calculated costs less the fixed dollar amount.

The Town's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2013
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar Method, Open
Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	5.00%, including inflation at 2.75%
Health Cost Trend:	8.50% to 5.00%
Coverage Elections:	50% of eligible retirees and 20% of spouses will elect to receive coverage upon retirement
Active Participant Marriage Assumption:	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger.
Mortality Table:	RP 2000 Employee Mortality Table
Implicit Rate Subsidy:	Total cost of coverage for pre-65 retirees is 50% higher than the average premium rate to account for the implicitly subsidized costs.

Annual OPEB Cost, Net OPEB Obligation, Funded Status and Funding Progress

For the fiscal year ended September 30, 2014, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the Plan was as follows:

1. Net OPEB Obligation (Asset), Beginning of the Plan Year	<u>\$ (13,378)</u>
2. One Year's Interest on the Net OPEB Obligation (Asset)	(870)
3. ARC (Normal Cost Plus Any Amortization Payments)	19,414
4. Annual OPEB Cost	<u>18,544</u>
5. Contributions Made for the Plan Year	(26,666)
6. Increase (Decrease) in Net OPEB Obligation	<u>(8,122)</u>
7. Net OPEB Obligation (Asset), End of the Plan Year	<u><u>\$ (21,500)</u></u>

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (Continued)

Annual OPEB Cost, Net OPEB Obligation, Funded Status and Funding Progress (Continued)

Schedule of Employer Contributions

Contributions to the Plan include the Town's contributions to pre-fund benefits as well as implicit and explicit contributions made by the Town through payment of covered participants' subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the past three years were as follows:

Schedule of Employer Contributions				
Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
September 30, 2014	\$ 18,544	26,666	143.80%	\$ (21,500)
September 30, 2013	16,743	24,566	146.72%	(13,378)
September 30, 2012	\$ 15,410	18,520	120.18%	\$ (5,555)

Funding Progress

Funding progress for the OPEB Plan as of September 30, 2014 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2013	\$ 70,088	223,011	\$ 152,923	31.43%

The schedule of funding progress following the Notes to the Financial Statements presents multiyear trend information regarding the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

E. Commitments and Contingencies

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at September 30, 2014.

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Commitments and Contingencies (Continued)

In October 2008, the Town entered into an agreement with Foxbank Commercial Development LLC (“Foxbank”). The agreement has a term of five years with two automatic five year renewals, absent material breach of the agreement by Foxbank. The agreement provides that all building permit fees assessed for residential and commercial construction in the 800 acre Foxbank Plantation subdivision be restricted to reimburse Foxbank for the cost of the transportation impact fees incurred in a 41 acre area designated in the development agreement for commercial property as they are incurred. Resources accumulated under the terms of this agreement are reported as restricted fund balance in the Foxbank fund, and totaled \$685,779 as of September 30, 2014. Cumulative reimbursements to Foxbank as of September 30, 2014 were \$40,113.

As of September 30, 2014, the Town had construction commitments outstanding totaling approximately \$733,000 related to the construction of the recreation facility.

F. Conduit Debt Obligations

In May 2007, the Town, as project sponsor, entered into a loan agreement with the South Carolina Water Quality Revolving Fund Authority for the purpose of providing financial assistance to the Combined Waterworks and Sewer System of the Town of Moncks Corner, South Carolina (“Waterworks”) for construction projects related to the water and sewer system. The note is secured by a pledge of the net revenues of Waterworks, and is payable from those revenues. In April 2007, Waterworks resolved to adopt the representations, covenants, and agreements set forth in the note, and to carry forth the duties so imposed. The Town is not obligated in any manner for repayment of the note beyond the resources to be provided by Waterworks. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of September 30, 2014, the aggregate principal outstanding was \$4,388,000.

G. Prior Period Restatements

As of September 30, 2013, the Town overstated deferred revenue in the General Fund by approximately \$139,600 and understated deferred revenue in the Franchise Fund by approximately \$988,500. These misstatements were corrected in the financial statements for the year ended September 30, 2014 through adjustments to opening fund balance. An adjustment of approximately \$139,600 was also required to properly report the opening net position of governmental activities.

H. Deficit in Fund Equity

The non-major Special Revenue Victims’ Assistance Fund had a deficit in fund balance of \$27 as of September 30, 2014. This deficit will be alleviated through future revenues and transfers from the General Fund.

I. Subsequent Events

In October 2014, the Town issued General Obligation Bond Series 2014 in the amount of \$1,780,000 for the purpose of providing funds to pay the costs of acquiring, planning, designing, constructing and equipping of a recreation complex, fire station facilities, parking and related facilities and certain real property and costs incurred in connection with the authorization, issuance and sale of these general obligation bonds.

Required Supplementary Information

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

**BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL -
GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 2,481,784	2,481,784	2,679,135	\$ 197,351
Licenses, permits, and franchise fees	1,970,000	1,970,000	2,403,701	433,701
Intergovernmental revenue	332,797	332,797	334,507	1,710
Charges for services	553,500	553,500	568,235	14,735
Fines and forfeitures	270,000	270,000	206,820	(63,180)
Miscellaneous revenues	22,400	22,400	52,373	29,973
TOTAL REVENUES ALL SOURCES	5,630,481	5,630,481	6,244,771	614,290
EXPENDITURES				
Current				
Administrative	1,353,687	1,298,368	1,232,789	65,579
Planning	291,771	294,206	263,624	30,582
Police	1,750,648	1,778,390	1,715,020	63,370
Fire	864,243	877,562	859,455	18,107
Public service	916,224	918,120	866,524	51,596
Recreation	432,070	447,997	410,977	37,020
Capital outlay	197,500	191,500	187,137	4,363
Debt service				
Principal	31,240	31,240	89,645	(58,405)
Interest and other charges	-	-	1,594	(1,594)
TOTAL EXPENDITURES	5,837,383	5,837,383	5,626,765	210,618
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(206,902)	(206,902)	618,006	824,908
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	5,000	5,000	3,025	(1,975)
Transfers in	25,750	25,750	49,199	23,449
Transfers out	(10,000)	(10,000)	(24,762)	(14,762)
TOTAL OTHER FINANCING SOURCES (USES)	20,750	20,750	27,462	6,712
NET CHANGES IN FUND BALANCES	(186,152)	(186,152)	645,468	831,620
FUND BALANCE, Beginning of Year, as restated	1,745,673	1,745,673	1,885,258	139,585
FUND BALANCES, End of Year	\$ 1,559,521	1,559,521	2,530,726	\$ 971,205

Note: This schedule has been presented on the modified accrual of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The Town's original and final budget both reflected the use of appropriated fund balance of \$186,152.

TOWN OF MONCKS CORNER, SOUTH CAROLINA

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. BASIS OF ACCOUNTING

The budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

B. BUDGETARY INFORMATION

The Town follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

1. The Town Administrator and Town Accountant submit to the Town Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to inform and obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to September 30.
4. Town Council must approve any revisions that alter the total expenditures of a fund. The legal level of budgetary authority is at the fund level.
5. Legally adopted budgets are employed as a management control device during the year for the General Fund and certain non-major special revenue funds.
6. The budgets for the budgeted funds are legally adopted on a basis consistent with GAAP.
7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council.
8. Encumbrances accounting is employed in the Town's funds. Encumbrances outstanding at year-end are included in restricted, committed, or assigned fund balance, as applicable, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

**OTHER POSTEMPLOYMENT BENEFIT PLAN – DEFINED BENEFIT HEALTHCARE PLAN –
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS**

YEAR ENDED SEPTEMBER 30, 2014

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation (Asset)
September 30, 2014	\$ 18,544	26,666	143.80%	\$ (21,500)
September 30, 2013	16,743	24,566	146.72%	(13,378)
September 30, 2012	15,410	18,520	120.18%	(5,555)
September 30, 2011	15,597	18,042	115.68%	(2,445)
September 30, 2010	\$ 15,400	15,400	100.00%	\$ -

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2013	\$ 70,088	223,011	\$ 152,923	31.43%
July 1, 2011	32,709	131,201	98,492	24.93%
July 1, 2009	\$ -	102,500	\$ 102,500	0.00%

Supplementary Information

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	VICTIMS' ASSISTANCE FUND	ACCOMODATIONS TAX FUND	MONCK'S CORNER DEPOT FUND	POLICE SUMMER CAMP FUND
ASSETS				
Cash and cash equivalents	\$ 1,015	650	46,171	-
Due from other governments	-	13,173	-	-
Receivables				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Prepaid expenses	410	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 1,425	13,823	46,171	-
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 460	6,555	946	-
Accrued salaries and wages	992	-	393	-
TOTAL LIABILITIES	1,452	6,555	1,339	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	-	-
Deferred revenues	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted:				
Tourism	-	7,268	44,832	-
Debt service	-	-	-	-
Other	-	-	-	-
Assigned				
Capital projects	-	-	-	-
Unassigned	(27)	-	-	-
TOTAL FUND BALANCES	(27)	7,268	44,832	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,425	13,823	46,171	-

POLICE DRUG FUND	FOXBANK FUND	ALCOHOL PERMITS FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL NON-MAJOR FUNDS
-	685,779	-	71,930	6,986	\$ 812,531
-	-	-	-	-	13,173
-	-	-	161,712	-	161,712
-	-	-	-	-	-
-	-	-	-	-	410
-	-	-	1,828	-	1,828
-	685,779	-	235,470	6,986	\$ 989,654
-	-	-	-	-	-
-	-	-	-	-	\$ 7,961
-	-	-	-	-	1,385
-	-	-	-	-	9,346
-	-	-	-	-	-
-	-	-	4,869	-	4,869
-	-	-	149,810	-	149,810
-	-	-	154,679	-	154,679
-	-	-	-	-	52,100
-	-	-	80,791	-	80,791
-	685,779	-	-	-	685,779
-	-	-	-	6,986	6,986
-	-	-	-	-	(27)
-	685,779	-	80,791	6,986	825,629
-	685,779	-	235,470	6,986	\$ 989,654

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2014

	VICTIMS' ASSISTANCE FUND	ACCOMODATIONS TAX FUND	MONCK'S CORNER DEPOT FUND	POLICE SUMMER CAMP FUND
REVENUES				
Taxes	\$ -	-	-	-
Licenses, permits, and franchise fees	-	-	-	-
Intergovernmental revenue	-	48,554	-	-
Charges for services	-	-	-	-
Fines and forfeitures	30,527	-	-	-
Miscellaneous revenues	-	25	18,531	-
TOTAL REVENUES	30,527	48,579	18,531	-
EXPENDITURES				
Current:				
Administrative	-	6,555	26,934	-
Planning	-	-	-	-
Police	46,856	-	-	-
Fire	-	-	-	-
Public service	-	-	-	-
Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	46,856	6,555	26,934	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(16,329)	42,024	(8,403)	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers In	24,762	-	38,108	-
Transfers Out	-	(40,295)	-	(10,688)
TOTAL OTHER FINANCING SOURCES (USES)	24,762	(40,295)	38,108	(10,688)
NET CHANGE IN FUND BALANCES	8,433	1,729	29,705	(10,688)
FUND BALANCE, Beginning of Year	(8,460)	5,539	15,127	10,688
FUND BALANCES, End of Year	\$ (27)	7,268	44,832	-

POLICE DRUG FUND	FOX BANK FUND	ALCOHOL PERMITS FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL NON-MAJOR FUNDS
-	-	-	117,242	-	117,242
-	105,871	17,800	-	-	123,671
-	-	-	-	-	48,554
-	-	-	-	-	-
-	-	-	-	-	30,527
-	-	-	-	-	18,556
-	105,871	17,800	117,242	-	338,550
-	-	-	-	11,101	44,590
-	-	-	-	-	-
-	-	17,065	-	-	63,921
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,990	1,990
-	-	-	75,503	-	75,503
-	-	-	16,519	-	16,519
-	-	17,065	92,022	13,091	202,523
-	105,871	735	25,220	(13,091)	136,027
-	-	-	-	-	-
-	-	-	-	-	62,870
(12,418)	-	(23,906)	-	-	(87,307)
(12,418)	-	(23,906)	-	-	(24,437)
(12,418)	105,871	(23,171)	25,220	(13,091)	111,590
12,418	579,908	23,171	55,571	20,077	714,039
-	685,779	-	80,791	6,986	\$ 825,629

TOWN OF MONCK'S CORNER, SOUTH CAROLINA

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
GENERAL FUND**

SEPTEMBER 30, 2014

COURT FINES

Court Fines Collected	\$ 35,764
Court Fines Retained by the Town	(35,764)
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

COURT ASSESSMENTS

Court Assessments Collected	\$ 19,531
Court Assessments Retained by the Town	(2,165)
Total Court Assessments Remitted to the State Treasurer	<u><u>\$ 17,366</u></u>

COURT SURCHARGES

Court Surcharges Collected	\$ 7,060
Court Surcharges Retained by the Town	(1,433)
Total Court Surcharges Remitted to the State Treasurer	<u><u>\$ 5,627</u></u>

VICTIMS SERVICES

Funds Available for Carryforward, Beginning of Year	\$ 2,165
Court Assessments and Surcharges Allocated to Victim Services	1,433
Funds Available for Carryforward, End of Year	<u><u>\$ 3,598</u></u>

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Moncks Corner
Moncks Corner, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moncks Corner, South Carolina (the "Town"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 *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. 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. We consider the deficiency described as 2014-1 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

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

Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
March 11, 2015

TOWN OF MONCKS CORNER, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2014

2014-1: PRIOR PERIOD RESTATEMENT

Criteria: The Town should have internal controls in place to ensure that financial statements are properly presenting the financial position and results of the Town.

Condition/Context: Internal controls were not sufficient to detect a material misstatement in the Town's financial statements for the year ended September 30, 2013.

For the year ended September 30, 2013, the Town overstated deferred revenues related to local option sales taxes by approximately \$139,600 in the General Fund. As a result, revenues and fund balance were understated in the General Fund. This misstatement also resulted in an overstatement of unearned revenues and an understatement of local option sales tax revenue and net position on the Statement of Net Position.

For the year ended September 30, 2013, the Town understated deferred revenue related to franchise fees which were earned but not available at year-end by approximately \$988,500 in the Franchise Fund. This misstatement resulted in an overstatement of fund balance.

Effect: The following adjustments were required to properly report fund balance and net position as of September 30, 2013:

- The General Fund required an adjustment to increase fund balance by approximately \$139,600.
- The Franchise Fund required an adjustment to decrease fund balance by approximately \$988,500.
- The governmental activities required an adjustment to increase net position by approximately \$139,600.

Recommendation: We recommend the Town carefully review all revenues to ensure they are recognized in the proper reporting period in accordance with generally accepted accounting principles.

Response: The Town agrees with the auditor's recommendation and in the future will properly report all revenues in accordance with generally accepted accounting principles.