

Town of Irmo

**Financial Statements
Year Ended June 30, 2016
(With Independent Auditor's Report Thereon)**

Town of Irmo

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Member
South Carolina Association of
Certified Public Accountants

329 S. Main Street
Travelers Rest, South Carolina 29690
(864) 834-3868

Member
American Institute of
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Independent Auditor's Report

The Honorable Mayor and
Members of Town Council
Town of Irmo
Irmo, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Irmo, as of and for the year ended June 30, 2016, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Irmo, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 8 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Irmo's financial statements as a whole. The other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

October 9, 2016

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

This section of the Town of Irmo, South Carolina (the "Town") annual financial report presents our discussion and analysis of the Town's financial performance for the year ended June 30, 2016. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,685,155 (*net position*). Of this amount, \$1,392,341 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$224,791 for current year operations.
- As of the close of the current fiscal year, the Town's governmental fund reported combined ending fund balance of \$5,221,499, an increase of \$146,488 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,021,000, or 93 percent of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. Financial information is presented in two statements – *statement of net position* and *statement of activities*.

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

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

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, highways and streets, human services, economic development, culture and recreation activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds 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 *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.

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

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the other governmental funds. Only the general fund is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for the governmental funds.

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.

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

Government-wide Financial Analysis

As noted earlier, net position may service over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$7,685,155 at the close of the most recent fiscal year. The largest portion of the Town's net position (84 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net position of \$47,669 is restricted by state law for specific purposes. The remaining balance of unrestricted net position (\$1,392,341) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net position increased by \$224,791. This is the result of an excess of expenditures over revenues.

Statement of Net Position Information

The following information is a condensed version of the Statement of Net Position as of June 30, 2016 and 2014, respectively.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 5,299,375	\$ 5,162,365	\$ 34,438	\$ 16,795	\$ 5,333,813	\$ 5,179,160
Capital assets, net of depreciation	6,245,145	6,381,747	-	-	6,245,145	6,381,747
Restricted assets	47,669	41,392	-	-	47,669	41,392
Total assets	11,592,189	11,585,504	34,438	16,795	11,626,627	11,602,299
Deferred outflows	793,935	85,537	-	-	793,935	85,537
Total assets and deferred outflows	12,386,124	11,671,041	34,438	16,795	12,420,562	11,687,836
Liabilities						
Long-term liabilities outstanding	3,977,881	3,394,345	-	-	3,977,881	3,394,345
Other liabilities	498,444	510,162	-	-	498,444	510,162
Total liabilities	4,476,325	3,904,507	-	-	4,476,325	3,904,507
Deferred inflows	259,082	322,965	-	-	259,082	322,965
Total liabilities and deferred inflows	4,735,407	4,227,472	-	-	4,735,407	4,227,472
Net Position						
Invested in capital assets, net of related debt	6,245,145	6,381,747	-	-	6,245,145	6,381,747
Restricted	47,669	41,392	-	-	47,669	41,392
Unrestricted	1,357,903	1,020,430	34,438	16,795	1,392,341	1,037,225
Total net position	\$ 7,650,717	\$ 7,443,569	\$ 34,438	\$ 16,795	\$ 7,685,155	\$ 7,460,364

The Town's Total Net Position increased by \$224,791 during the fiscal year ended June 30, 2016.

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

Statement of Activities Information

The following information is a condensed version of the Statement of Activities.

Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenue:						
Charges for services	\$ 923,110	\$ 884,106	\$ 58,857	\$ 120,194	\$ 981,967	\$ 1,004,300
Operating grants and contributions	785	2,622	-	-	785	2,622
General revenue:						
Local option sales and fire taxes	1,586,587	1,322,469	-	-	1,586,587	1,322,469
State shared and unallocated intergovernmental	316,333	306,793	-	-	316,333	306,793
Licenses and permits	2,660,526	2,536,876	-	-	2,660,526	2,536,876
Other and transfers	84,814	36,800	14,387	10,421	99,201	47,221
Total revenue	<u>5,572,155</u>	<u>5,089,666</u>	<u>73,244</u>	<u>130,615</u>	<u>5,645,399</u>	<u>5,220,281</u>
Expenses:						
Legislative	47,242	54,872	-	-	47,242	54,872
Administrative	513,772	438,674	-	-	513,772	438,674
Court	207,086	206,937	-	-	207,086	206,937
Public works	548,700	493,629	-	-	548,700	493,629
Sanitation	591,273	629,377	-	-	591,273	629,377
Police	2,121,108	2,250,905	-	-	2,121,108	2,250,905
Non-departmental and support services	1,335,826	1,200,789	-	-	1,335,826	1,200,789
Okra Strut Festival fund	-	-	55,601	158,331	55,601	158,331
Total expenses	<u>5,365,007</u>	<u>5,275,183</u>	<u>55,601</u>	<u>158,331</u>	<u>5,420,608</u>	<u>5,433,514</u>
Change in net position	207,148	(185,517)	17,643	(27,716)	224,791	(213,233)
Beginning net position	7,443,569	10,965,712	16,795	44,511	7,460,364	11,010,223
Prior period adjustment	-	(3,336,626)	-	-	-	(3,336,626)
Ending net position	<u>\$ 7,650,717</u>	<u>\$ 7,443,569</u>	<u>\$ 34,438</u>	<u>\$ 16,795</u>	<u>\$ 7,685,155</u>	<u>\$ 7,460,364</u>

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

Major revenue facts included:

- General revenues increased \$449,288 compared to prior year due to the Town receiving more funds from the state and licenses and permits.

For governmental activities, 100% of the Town's expenses related to government and public activities.

Financial Analysis of the Government'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* 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.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,021,000, the nonspendable was \$55,185 and the restricted fund balance was \$47,669. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 93% of the total general fund expenditures.

During the current fiscal year, the Town's general fund balance increased \$150,683.

- Total revenues decreased by \$469,465 from the prior year.
- Total expenditures increased by \$341,392.

General Fund Budgetary Highlights

The Town adopts a balanced budget with budgeted expenditures equaling budgeted revenues on an annual basis. There were no changes between the original budget and the final budget.

Capital Asset Administration

Capital assets - The Town's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$6,245,145 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and streets and sidewalks. Capital assets, net of accumulated depreciation are comprised of the following:

Town of Irmo
Management's Discussion and Analysis
June 30, 2016

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated				
Land and rights of way	\$ 1,492,883	\$ -	\$ -	\$ 1,492,883
Construction in progress	-	26,310	-	26,310
Total capital assets not being depreciated	<u>1,492,883</u>	<u>26,310</u>	<u>-</u>	<u>1,519,193</u>
Capital assets being depreciated				
Land improvements	4,831,481	-	-	4,831,481
Building and improvements	2,847,826	53,425	-	2,901,251
Furniture, vehicles, equipment	1,593,854	245,628	(151,756)	1,687,726
Total capital assets being depreciated	<u>9,273,161</u>	<u>299,053</u>	<u>(151,756)</u>	<u>9,420,458</u>
Less accumulated depreciation for:				
Land improvements	(1,586,818)	(216,583)	-	(1,803,401)
Building and improvements	(1,470,602)	(132,255)	-	(1,602,857)
Furniture, vehicles, equipment	(1,326,877)	(113,127)	151,756	(1,288,248)
Total accumulated depreciation	<u>(4,384,297)</u>	<u>(461,965)</u>	<u>151,756</u>	<u>(4,694,506)</u>
Total capital assets being depreciated, net	<u>4,888,864</u>	<u>(162,912)</u>	<u>-</u>	<u>4,725,952</u>
Net capital assets - Governmental Activities	<u>\$ 6,381,747</u>	<u>\$ (136,602)</u>	<u>\$ -</u>	<u>\$ 6,245,145</u>

The total decrease of \$136,602 in net capital assets is the net of asset additions of \$325,363 and depreciation expense of \$461,965.

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare favorably to national indices. This factor, among others, was considered in preparing the Town's budget for the 2016 fiscal year.

Requests for Information

This 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 the Town of Irmo, South Carolina 29063.

Town of Irmo

**Statement of Net Position
June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,372,645	\$ 6,739	\$ 4,379,384
Equity in pooled cash	471,211	27,699	498,910
Receivables, net	125,489	-	125,489
Due from other governments	274,845	-	274,845
Prepaid expenses	55,185	-	55,185
Restricted assets:			
Cash and cash equivalents	47,669	-	47,669
Capital assets, net of accumulated depreciation	6,245,145	-	6,245,145
Total assets	<u>11,592,189</u>	<u>34,438</u>	<u>11,626,627</u>
Deferred outflows			
Deferred outflows for pensions	793,935	-	793,935
Total assets and deferred outflows	<u>\$ 12,386,124</u>	<u>\$ 34,438</u>	<u>\$ 12,420,562</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 91,046	\$ -	\$ 91,046
Due to state government	6,309	-	6,309
Deposit liabilities	14,629	-	14,629
Deferred revenue	386,460	-	386,460
Accrued compensated absences	249,943	-	249,943
Net pension liability	3,727,938	-	3,727,938
Total liabilities	<u>4,476,325</u>	<u>-</u>	<u>4,476,325</u>
Deferred inflows			
Deferred inflows for pensions	259,082	-	259,082
Total liabilities and deferred inflows	<u>4,735,407</u>	<u>-</u>	<u>4,735,407</u>
Net Position			
Invested in capital assets, net of related debt	6,245,145	-	6,245,145
Restricted	47,669	-	47,669
Unrestricted	1,357,903	34,438	1,392,341
Total net position	<u>\$ 7,650,717</u>	<u>\$ 34,438</u>	<u>\$ 7,685,155</u>

Town of Irmo

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:	Expenses				Totals
Legislative	\$ (47,242)	\$ -	\$ -	\$ (47,242)	\$ -
Administrative	(513,772)	-	-	(513,772)	-
Court	(207,086)	-	-	(207,086)	-
Public works	(548,700)	-	-	(548,700)	-
Sanitation	(591,273)	-	-	-	-
Police	(2,121,108)	801,148	-	209,875	209,875
Non-departmental and support services	(1,335,826)	121,962	-	(1,998,361)	-
Total governmental activities	(5,365,007)	923,110	-	(1,335,826)	(1,335,826)
				(4,441,112)	(4,441,112)
Business-type activities:					
Okra Strut fund	(55,601)	58,857	-	-	3,256
Total business-type activities	(55,601)	58,857	-	-	3,256
Total functions and programs	(5,420,608)	981,967	-	(4,441,112)	(4,437,856)
General revenues and transfers					
Local option sales tax				1,084,563	-
State shared and unallocated intergovernmental				316,333	-
Licenses, permits and franchise fees				2,660,526	-
Fire taxes				502,024	-
Unrestricted investment earnings				19,715	37
Miscellaneous				79,449	-
Transfers in (out)				(14,350)	14,350
Total general revenues and transfers				4,648,260	14,387
Change in net position				207,148	17,643
Net position, beginning				7,443,569	16,795
Net position, ending				\$ 7,650,717	\$ 34,438
					\$ 7,685,155

Town of Irmo

**Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General Fund</u>	<u>ABC Permit Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 4,371,635	\$ -	\$ 1,010	\$ 4,372,645
Equity in pooled cash	458,576	12,150	485	471,211
Receivables, net	27,928	-	84,000	111,928
Due from other governments	274,845	-	-	274,845
Prepaid items	55,185	-		55,185
Restricted assets:				
Cash and cash equivalents	47,669	-	-	47,669
Total assets	<u>\$ 5,235,838</u>	<u>\$ 12,150</u>	<u>\$ 85,495</u>	<u>\$ 5,333,483</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 91,046	\$ -	\$ -	\$ 91,046
Due to state government	6,309	-	-	6,309
Deposit liabilities	14,629	-	-	14,629
Total liabilities	<u>111,984</u>	<u>-</u>	<u>-</u>	<u>111,984</u>
Fund balances:				
Nonspendable - prepaid items	55,185	-	-	55,185
Restricted	47,669	-	-	47,669
Assigned	-	12,150	-	12,150
Unassigned	5,021,000	-	85,495	5,106,495
Total fund balances	<u>5,123,854</u>	<u>12,150</u>	<u>85,495</u>	<u>5,221,499</u>
Total liabilities and fund balances	<u>\$ 5,235,838</u>	<u>\$ 12,150</u>	<u>\$ 85,495</u>	<u>\$ 5,333,483</u>

Town of Irmo

**Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2016**

Total fund balance - Governmental Funds	\$	5,221,499
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds.	6,245,145
Other assets not available to pay current expenditures and therefore not reported in the fund statements.	13,561
Cash received in advance of period for which revenue is recognized as deferred in the statement of net position.	(386,460)
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.	
Compensated absences	(249,943)
Net pension liability	(3,727,938)
Deferred outflows for pensions	793,935
Deferred inflows for pensions	<u>(259,082)</u>

Total net position of Governmental Activities	\$	<u><u>7,650,717</u></u>
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Town of Irmo

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016**

	<u>General Fund</u>	<u>ABC Permit Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local option sales tax	\$ 1,084,563	\$ -	\$ -	\$ 1,084,563
Licenses and permits	2,015,299	-	-	2,015,299
State shared revenue	304,183	12,150	-	316,333
Franchise fees	645,227	-	-	645,227
Fines and forfeitures	121,962	-	-	121,962
Fire taxes	502,024	-	-	502,024
Grants	785	-	-	785
Interest income	19,710	-	5	19,715
Sanitation fees	792,631	-	-	792,631
Other revenue	79,449	-	-	79,449
Total revenues	<u>5,565,833</u>	<u>12,150</u>	<u>5</u>	<u>5,577,988</u>
Expenditures				
General Government:				
Legislative	49,666	-	-	49,666
Administrative	535,714	-	-	535,714
Court	213,209	-	-	213,209
Public works:				
General public works	622,870	-	-	622,870
Sanitation	591,273	-	-	591,273
Police	2,393,257	-	-	2,393,257
Non-departmental and support services	1,011,161	-	-	1,011,161
Total expenditures	<u>5,417,150</u>	<u>-</u>	<u>-</u>	<u>5,417,150</u>
Excess (deficiency) of revenues over expenditures	<u>148,683</u>	<u>12,150</u>	<u>5</u>	<u>160,838</u>
Other Financing Sources (Uses)				
Transfers in (out)	2,000	(4,350)	(12,000)	(14,350)
Net change in fund balance	<u>150,683</u>	<u>7,800</u>	<u>(11,995)</u>	<u>146,488</u>
Fund balance, beginning of year	4,973,171	4,350	97,490	5,075,011
Fund balance, end of year	<u>\$ 5,123,854</u>	<u>\$ 12,150</u>	<u>\$ 85,495</u>	<u>\$ 5,221,499</u>

Town of Irmo

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2016**

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

Net change in fund balances-total governmental funds	\$ 146,488
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(136,602)
Net revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported in these funds.	<u>197,262</u>
Change in net position of governmental activities	<u><u>\$ 207,148</u></u>

Town of Irmo

**Balance Sheet
Proprietary Fund
June 30, 2016**

		Business-type Activities
		Okra Strut Fund
Assets		
Cash and cash equivalents	\$	6,739
Equity in pooled cash		27,699
Total assets	\$	<u>34,438</u>
Liabilities and Net Position		
Liabilities:		
Total liabilities		<u>-</u>
Net Position:		
Unrestricted		34,438
Total net position		<u>34,438</u>
Total liabilities and net position	\$	<u>34,438</u>

Town of Irmo

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2016**

	<u>Business-type Activities Okra Strut Fund</u>
Operating Revenues	
Rental, concessions and sales	\$ 58,857
Total operating revenues	<u>58,857</u>
Operating Expenses	
Contract labor and volunteer expenses	23,060
Contractual services/rentals/marketing	19,948
Vendor/concessions reimbursements	5,200
Miscellaneous	7,393
Total operating expenses	<u>55,601</u>
Operating income	<u>3,256</u>
Non-Operating Revenue (Expenses)	
Interest income	37
Transfer in from other funds	14,350
Total Non-operating revenue (expenses)	<u>14,387</u>
Change in net position	17,643
Net position, beginning of year	16,795
Net position, end of year	<u>\$ 34,438</u>

Town of Irmo

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016**

	<u>Business-type Activities Okra Strut Fund</u>
Cash Flows from Operating Activities	
Receipts from customers and others	\$ 58,857
Payments to suppliers	<u>(55,601)</u>
Net cash provided (used) by operating activities	<u>3,256</u>
Cash Flows from Capital and Related Financing Activities	
Net transfers from other funds	<u>14,350</u>
Net cash provided (used) by financing activities	<u>14,350</u>
Cash Flows from Investing Activities	
Interest income	<u>37</u>
Net cash provided (used) by investing activities	<u>37</u>
Net increase in cash and cash equivalents	17,643
Cash and cash equivalents, beginning of year	16,795
Cash and cash equivalents, end of year	\$ <u><u>34,438</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 3,256
Net cash provided (used) by operating activities	\$ <u><u>3,256</u></u>

Town of Irmo

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016**

**Susan Rene
Branham
Memorial Fund**

Assets

Equity in pooled cash	2,228
Total assets	<u>\$ 2,228</u>

Net Position

Held in trust for substance abuse educational programs	2,228
Total net position	<u>\$ 2,228</u>

Town of Irmo

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2016**

	<u>Susan Rene Branham Memorial Fund</u>
Additions	
Contributions	-
Total additions	<u>\$ -</u>
Change in net position	-
Net position, beginning of year	2,228
Net position, end of year	<u><u>\$ 2,228</u></u>

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 1 – Description of Entity

The Town of Irmo, South Carolina (the “Town”) was incorporated in 1890. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, public improvements, planning and zoning, general and administrative services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there were no organizations which met the criteria described above.

Note 2 – Summary of Significant Accounting Policies

The Town applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town government. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes collected within this sixty day period is an example of such revenue. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, or specifically identified.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has established a special revenue fund for the ABC

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Measurement focus, basis of accounting, and financial statement presentation

Permit revenues which are restricted to expenditures for tourism and development.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The *proprietary fund (enterprise fund)* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through the user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Okra Strut Annual Festival is accounted for as an Enterprise Fund operation.

The government reports the following funds separately that are not included in the government-wide financial statements:

The *fiduciary fund* consist of Trust and Agency Funds which are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as government funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The resources of these funds are not available to support government programs and are therefore not reported in government funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Cash and Cash Equivalents

The State of South Carolina General Statutes permits the Town to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the Town.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

As of June 30, 2016, the Town had deposits and investments as follows:

	Fair Value
Deposits with financial institutions	\$ 701,945
Investment with S.C. Local Government Investment Pool	<u>4,399,110</u>
	<u>\$ 5,101,055</u>

Interest rate risk. The Town manages its exposure to declines in fair values by limiting its investments to the State's investment pools which do not normally have maturity dates and can be withdrawn on demand.

Credit risk. As of June 30, 2016, the Town's investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

Concentration of Credit Risk. The Town's investment policy currently does not involve investment in individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name. As of June 30, 2016, the Town did not have any amounts exposed to custodial credit risk.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment in the state investment pool is not subject to custodial credit risk.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the funds financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The Town did not levy a tax on personal and real property for its fiscal 2015 – 2016. Revenue and receivables reported as of and for the year ended June 30, 2016 are the result of collections of prior fiscal year levies.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 30
Furniture and equipment	3 - 10
Infrastructure	10 - 25

Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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. In addition to liabilities, the statement of financial position will sometimes report a separate 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.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, unused vacation or sick leave is payable to the employee. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for expenditures are recorded to reserve a portion of an applicable appropriation, is utilized in governmental funds, primarily the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities under accounting principles generally accepted.

Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – The category presents external restrictions imposed by creditor, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the Town, which are not restricted for any project or other purpose.

In the fund financial statements, the Town implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2013. GASB No. 54 established that fund balance for governmental funds should be reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which the amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable – generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.

Legally or Contractually Required to be Maintained Intact – amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted – amounts that can be used only for specific purpose because of (a) constitutional provisions of enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Fund Equity, continued

Committed – amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligation if existing resources have been committed for use in satisfying those contractual requirements. The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative unassigned general fund balance.

Unassigned - this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Below are the fund balance classifications for the governmental funds at June 30, 2016:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances			
Nonspendable - prepaid	\$ 55,185	\$ -	\$ 55,185
Restricted			
Victims Assistance	47,669	-	47,669
Assigned			
Tourism development	-	12,150	12,150
Unassigned	5,021,000	85,495	5,106,495
Total Fund Balances	\$ <u>5,123,854</u>	\$ <u>97,645</u>	\$ <u>5,221,499</u>

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies, continued

Estimates

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

Note 3 – Stewardship, Compliance, and Accountability

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The various departments meet with their respective Council Committees during the last quarter of the fiscal year to discuss their operating budget requests
2. The Council meets in a workshop to discuss all the department's budgets.
3. The proposed budget is enacted prior to July 1 in the form of an ordinance (with three readings and one public hearing) to raise revenue.
4. Department heads may transfer budget amounts (up to \$1,500) between line items in their department with the approval of the Town Administrator. Amounts over \$1,500 require Town Council approval.
5. Town Council must authorize budget transfers between departments and all transfers in/out of personnel line items.
6. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2016, total budgets for the General Fund equaled \$5,440,489.

Town of Irmo

Notes to the Financial Statements Year Ended June 30, 2016

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated				
Land and rights of way	\$ 1,492,883	\$ -	\$ -	\$ 1,492,883
Construction in progress	-	26,310	-	26,310
Total capital assets not being depreciated	<u>1,492,883</u>	<u>26,310</u>	<u>-</u>	<u>1,519,193</u>
Capital assets being depreciated				
Land improvements	4,831,481	-	-	4,831,481
Building and improvements	2,847,826	53,425	-	2,901,251
Furniture, vehicles, equipment	1,593,854	245,628	(151,756)	1,687,726
Total capital assets being depreciated	<u>9,273,161</u>	<u>299,053</u>	<u>(151,756)</u>	<u>9,420,458</u>
Less accumulated depreciation for:				
Land improvements	(1,586,818)	(216,583)	-	(1,803,401)
Building and improvements	(1,470,602)	(132,255)	-	(1,602,857)
Furniture, vehicles, equipment	(1,326,877)	(113,127)	151,756	(1,288,248)
Total accumulated depreciation	<u>(4,384,297)</u>	<u>(461,965)</u>	<u>151,756</u>	<u>(4,694,506)</u>
Total capital assets being depreciated, net	<u>4,888,864</u>	<u>(162,912)</u>	<u>-</u>	<u>4,725,952</u>
Net capital assets - Governmental Activities	<u>\$ 6,381,747</u>	<u>\$ (136,602)</u>	<u>\$ -</u>	<u>\$ 6,245,145</u>

Depreciation expense for the year ended June 30, 2016 was charged to functions/programs of the primary government as follows:

Governmental Activities	
Non-departmental	\$ 366,869
Police	75,030
Public works	20,066
Total depreciation expense - governmental activities	<u>\$ 461,965</u>

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 5 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2016 was as follows:

	<u>Balance at July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 265,839	-	15,896	\$ 249,943	\$ -
Governmental activities					
Long-term liabilities	\$ 265,839	\$ -	\$ 15,896	\$ 249,943	\$ -

Note 6 – Pension Plan

Plan Description

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

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

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

Membership

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

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

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Membership, continued

- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

For the year ended June 30, 2016, the Town's total payroll for employees participating in the SCRS Plan was \$827,001. Total covered payroll for the SCRS Plan was \$827,001. Covered payroll refers to all compensation paid by the Town to active employees covered by the SCRS Plan. The Town's contributions to the SCRS Plan for the year ended June 30, 2016 were \$90,226.

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Membership, continued

For the year ended June 30, 2016, the Town's total payroll for employees participating in the PORS Plan was \$1,383,276. Total covered payroll for the PORS Plan was \$1,383,276. Covered payroll refers to all compensation paid by the Town to active employees covered by the PORS Plan. The Town's contributions to the PORS Plan for the year ended June 30, 2016 were \$184,529.

Benefits

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

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

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

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Benefits, continued

available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

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

- Required employee contribution rates for fiscal year 2015-2016 are as follows:

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

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Contributions, continued

- Required employer contributions for fiscal year 2014-2016 are as follows:

	Fiscal Year 2016	Fiscal Year 2015
SCRS		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employee	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	13.34%	13.01%
Employee Class Three	13.34%	13.01%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

Net Pension Liability

The net pension liability (“NPL”) represents the system’s total pension liability determined in accordance with GASB No. 67 less the System’s fiduciary net position. For the year ended June 30, 2015, NPL amounts and the change in NPL amounts for SCRS are as follows:

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	57.00%
PORS	\$ 6,151,321,222	\$ 3,971,824,838	\$ 2,179,496,384	64.60%

At June 30, 2015, the Town reported a net pension liability of \$3,727,938 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportionate share of the net pension liability was based on a projection of the Town’s long-

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Net Pension Liability, continued

term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Town's SCRS proportion was .007763 percent and the PORS proportion was .10349 percent.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense for the SCRS plan of \$130,689. For the year ended June 30, 2016, the Town recognized pension expense for the PORS plan of \$222,487.

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

At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 70,865	\$ 2,633
Changes in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on Plan investments	\$ 290,984	\$ 256,449
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 157,331	\$ -
Town contributions subsequent to the measurement date	\$ 274,755	\$ -
Total	<u>\$ 793,935</u>	<u>\$ 259,082</u>

The \$274,755 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Town of Irmo

**Notes to Financial Statements
Year Ended June 30, 2016**

Note 6 – Pension Plan, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2017	\$ 58,718
2018	\$ 58,718
2019	\$ 47,758
2020	\$ 94,904

Actuarial Assumptions

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 20, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by the state's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

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

Town of Irmo

**Notes to Financial Statements
Year Ended June 30, 2016**

Note 6 – Pension Plan, continued

Actuarial Assumptions, continued

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

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

Former Job Class	Males	Females
Educators	RP-2000 Males (with white collar adjustment) multiplied by 110%	RP-2000 Females (with white collar adjustment) multiplied by 95%
General Employees and Members of the General Assemble	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with blue collar adjustment) multiplied by 115%	RP-2000 Females (with blue collar adjustment) multiplied by 115%

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Long-term Expected Rate of Return

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

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Town of Irmo

**Notes to Financial Statements
Year Ended June 30, 2016**

Note 6 – Pension Plan, continued

Long-term Expected Rate of Return, continued

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta0	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflations for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Town of Irmo

Notes to Financial Statements Year Ended June 30, 2016

Note 6 – Pension Plan, continued

Discount Rate, continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 1,856,137	\$ 1,472,290	\$ 1,150,578
PORS	\$ 3,072,719	\$ 2,255,648	\$ 1,525,231

Plan Fiduciary Net Position

Detailed information regarding the Plan's fiduciary net position is available in the separately issued CAFR containing the financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits website at www.retirement.sc.gov or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Note 7 – Post-Employment Benefits

As of June 30, 2016, the Town does not offer any post-employment retirement benefits to its employees.

Note 8 – Commitments

The Town has contracted with a third party company to provide residential garbage pick-up (sanitation) service for a five-year period ending December 31, 2017 with annual cost of living adjustments of not less than 3% nor more than 5%. The contract is paid in monthly installments equaling \$11.70 per residential dwelling.

Note 9 – Leases - Lessors

The Town, as lessor, renewed the lease agreement dated July 18, 2007 on June 19, 2008 with the South Carolina Department of Public Safety to lease the building located at 1239 Columbia Avenue, Irmo, South Carolina at a basic annual rental payment of \$5,168 for a term of 108 months with two five-year unconditional renewal options.

Note 10 – Risk Management

The Town is exposed to various risks of loss relating to liability, theft or impairment of assets, errors or omissions, injuries to employees and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund.

Town of Irmo

**Notes to Financial Statements
Year Ended June 30, 2016**

Note 10 – Risk Management, continued

During the fiscal year ended June 30, 2016, the Town did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for unasserted claims is necessary.

Note 11– Subsequent Events

Subsequent events were evaluated through October 9, 2016, which is the date the financial statements were available to be issued.

Town of Irmo

**Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual**

Year Ended June 30, 2016

(With comparative actual amounts for year ended June 30, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual
	Original	Final			
Revenues					
Local option sales tax	\$ 828,000	\$ 828,000	\$ 1,084,563	\$ 256,563	\$ 851,914
Licenses and permits	1,870,920	1,870,920	2,015,299	144,379	1,893,713
State shared revenue	280,300	280,300	304,183	23,883	296,193
Franchise fees	570,820	570,820	645,227	74,407	643,163
Fines and forfeitures	144,702	144,702	121,962	(22,740)	107,742
Fire taxes	430,200	430,200	502,024	71,824	470,555
Grants	1,520	1,520	785	(735)	2,622
Interest income	7,400	7,400	19,710	12,310	8,430
Sanitation fees	767,520	767,520	792,631	25,111	783,239
Other revenue and appropriation of fund balance	27,500	27,500	79,449	51,949	38,767
Total revenues	4,928,882	4,928,882	5,565,833	636,951	5,096,338
Expenditures					
General Government:					
Legislative	51,293	51,293	49,666	1,627	54,872
Administrative	486,147	486,147	535,714	(49,567)	438,674
Court	242,030	242,030	213,209	28,821	206,937
Public works:					
General public works	666,613	666,613	622,870	43,743	488,709
Sanitation	650,000	650,000	591,273	58,727	629,377
Police	2,406,398	2,406,398	2,393,257	13,141	2,211,795
Non-departmental	938,008	938,008	1,011,161	(73,153)	1,045,394
Total expenditures	5,440,489	5,440,489	5,417,150	23,339	5,075,758
Excess of revenues over expenditures	(511,607)	(511,607)	148,683	660,290	20,580
Other Financing Sources (Uses)					
Transfers in (out)	-	-	2,000	2,000	12,000
Net change in fund balances	(511,607)	(511,607)	150,683	662,290	32,580
Fund balance, beginning of year	4,973,171	4,973,171	4,973,171	-	4,940,591
Fund Balance, end of year	\$ 4,461,564	\$ 4,461,564	\$ 5,123,854	\$ 662,290	4,973,171

Town of Irmo

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
Year Ended June 30, 2016

System	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS	June 30, 2016	0.007763%	\$ 1,472,290	\$ 827,001	178.03%	57.00%
PORS	June 30, 2016	0.10349%	\$ 2,255,648	\$ 1,383,276	163.07%	64.60%
SCRS	June 30, 2015	0.007219%	\$ 1,242,872	\$ 727,834	170.76%	59.90%
PORS	June 30, 2015	0.098500%	\$ 1,885,634	\$ 1,282,145	147.07%	67.50%

Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available.

Town of Irmo

**Schedule of Employer Contributions
Year Ended June 30, 2016**

System	Year Ended	Statutorily Required Contributions	Actual Employer Contributions	Contributions Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
SCRS	June 30, 2016	\$ 90,226	\$ 90,226	\$ -	\$ 827,001	10.91%
PORS	June 30, 2016	\$ 184,529	\$ 184,529	\$ -	\$ 1,383,276	13.34%
SCRS	June 30, 2015	\$ 78,242	\$ 78,242	\$ -	\$ 727,834	10.75%
PORS	June 30, 2015	\$ 166,807	\$ 166,807	\$ -	\$ 1,282,145	13.01%

*Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available.*

Town of Irmo
Notes to Required Supplementary Information
June 30, 2016

Budgets and Budgetary Accounting

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the Town Administrator to administer the budget and to transfer necessary appropriations among departments. Additional budget appropriations must be approved by Council.

Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Okra Strut Funds.

The legal level of budget is at the fund level for the Town of Irmo. The budgetary comparison schedule displays detail at the department level as additional information.

Net Pension Liability

	SCRS	PORS
Valuation date	July 1, 2014	July 1, 2014
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Remaining amortization period	25 years, open	30 years, open
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation rate	2.75%	2.75%
Projected salary increases	3.50% plus step-rate increases for members with less than 25 years of service	4.00% plus step-rate increases for members with less than 12 years of service
Investment rate of return	7.50%	7.50%
Retirement age	65 years	65 years
Mortality	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators	RP-2000 Mortality Table with Blue Collar Adjustment, projected at Scale AA from Year 2000. Male and female rates are multiplied by 115%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

Town of Irmo

**Schedule of Court Fines, Assessments and Surcharges
Year Ended June 30, 2016**

Court fines and assessments

Court fines and assessments collected	\$ 263,462
Court fines and assessments remitted to State Treasurer	(146,584)
Total court fines and assessments retained	\$ <u>116,878</u>

Surcharges and assessments retained for victims services

Surcharges collected and retained	\$ 3,748
Assessments retained	12,660
Total surcharges and assessments retained for victims services	\$ <u>16,408</u>

Funds allocated to victims services

Carryover funds from prior years	\$ 41,392
Surcharges and assessments retained	16,408
Expenditures for victims services	(10,131)
Total unexpended victims rights assistance funds	\$ <u>47,669</u>