

**TOWN OF KINGSTREE
SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2018**

**TOWN OF KINGSTREE
SOUTH CAROLINA
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JUNE 30, 2018**

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Samantha A. Salisbury, CPA

1606 Scarlet Oaks Ct
Moncks Corner, SC 29461
843-860-4126
Fax: 843-576-5408
Email: ssalisburycpa@gmail.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Kingstree
Kingstree, South Carolina 29556

Report on the Financial Statements

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 Kingstree, South Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kingstree, South Carolina'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

My responsibility is to express opinions on these financial statements based on my audit. We conducted my 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kingstree, South Carolina, as of June 30, 2018, and the respective

changes in financial position thereof and the respective budgetary comparisons for the General Fund 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, budgetary comparison – General Fund, schedule of the proportionate share of the net pension liability and schedule of contributions, as listed in the foregoing 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kingstree, South Carolina's basic financial statements. The combining and individual fund statements, water and sewer fund - statement of revenues, expenses and changes in net position - budget to actual, and schedule of fines, assessments and surcharges - victims fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. These were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund statements and schedules as stated above are 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*, I have also issued my report dated September 20, 2018 on my consideration of the Town of Kingstree's internal control over financial reporting and on my 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 my 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 Town of Kingstree, South Carolina's internal control over financial reporting and compliance.

Samantha Salisbury

Samantha A. Salisbury, CPA

September 20, 2018

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

The Town of Kingstree's Management Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide a concise overview of the Town's financial status, (c) identify any changes in the Town's financial position (its ability to address and meet the challenges of subsequent years), (d) provide an overview of material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This annual report consists of four sections: (1) the basic financial statements which include government-wide statements and fund specific statements, (2) required supplementary information, (3) combined and individual fund statements and schedules for major and non-major governmental funds, and (4) compliance.

Basic Financial Statements

Government-Wide Financial Statements

The Government-Wide Financial Statements section provides a broad overview of the Town's overall financial status, in a manner similar to a private sector enterprise. The statement of net assets is designed to be similar to bottom line results of the Town and, 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 regarding how net assets changed during the most recent fiscal year. All changes in net position are reported as soon as possible, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Town that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include administration, police, fire, streets, sanitation, recreation, and community development. The business-type activities of the Town include water and sewer operations as well as housing and economic development.

Fund Financial Statements

The fund financial statements give greater emphasis on individual parts of the Town's financial status and reports operations in greater detail than the government-wide 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. This Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term 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 the comparison between governmental funds and governmental activities. 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.

Proprietary Funds

Proprietary enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary fund financial statements provide more detailed information for the water and sewer fund which is considered a major fund of the Town.

Fiduciary Funds

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 statements 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 proprietary 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$10,072,562 in 2018 and \$8,945,179 in 2017. The following table provides a summary of the Town's net position as of June 30, 2018 and 2017:

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
<u>ASSETS, DEFERRED OUTFLOW</u>						
Current and Other Assets	\$ 3,424,751	\$ 2,957,209	\$ 2,312,775	\$ 1,857,360	\$ 5,737,526	\$ 4,814,569
Capital Assets, Net	4,646,035	4,759,851	15,670,890	15,956,728	20,316,925	20,716,579
Deferred Outflows	476,341	507,266	298,571	338,178	774,912	845,444
	<u>8,547,127</u>	<u>8,224,326</u>	<u>18,282,236</u>	<u>18,152,266</u>	<u>26,829,363</u>	<u>26,376,592</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET ASSETS</u>						
Liabilities :						
Other Liabilities	2,737,689	3,184,835	1,772,710	1,695,446	4,510,399	4,880,281
Noncurrent Liabilities	93,178	273,346	11,315,589	13,216,086	11,408,767	13,489,432
Deferred Inflows	792,139	709,916	45,496	9,722	837,635	719,638
	<u>3,623,006</u>	<u>4,168,097</u>	<u>13,133,795</u>	<u>14,921,254</u>	<u>19,089,351</u>	<u>16,957,709</u>
<u>NET POSITION</u>						
Invested in Capital Assets,						
Nonspendable	83,352	5,148	21,450	21,450	104,802	26,598
Net of Related Debt	4,612,502	4,549,851	4,423,941	4,658,840	9,036,443	9,208,691
Restricted	830,424	631,472	295,008	295,008	1,125,432	926,480
Unrestricted	(602,157)	(1,130,242)	408,042	(91,496)	(194,115)	(1,221,738)
Total Net Assets	<u>\$ 4,924,121</u>	<u>\$ 4,056,229</u>	<u>\$ 5,148,441</u>	<u>\$ 4,883,802</u>	<u>\$ 10,072,562</u>	<u>\$ 8,940,031</u>

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. Invested in capital assets (net of related debt), represents about 89.7% of total net assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Unrestricted net assets are the part of the net assets that can be used to finance daily operations without constraints established by debt covenants, enabling legislation and other legal requirements.

Governmental Activities

Governmental activities increased the Town's net position by \$867,892. This increase was due primarily the increase in charges for services.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

Business-Type Activities

Business-type activities increased the Town's net position by \$286,089. This increase was due, primarily to the increase in charges for services in the current year.

Capital Assets and Debt Administration for Government-Wide Activities

As of June 30, 2018, the Town had invested \$20,316,925 (net of accumulated depreciation) in capital assets. Total depreciation expense for the year was \$941,551. The following schedule presents capital asset balances net of accumulated depreciation for the fiscal year ended June 30, 2018;

	Amount
Land	\$ 1,350,273
Construction in progress	48,979
Buildings and improvements	2,616,615
Equipment and Vehicles	1,125,883
Water and Sewer System	<u>15,175,175</u>
Total	<u>\$ 20,316,925</u>

Debt Administration: The following table presents a summary of the Town's outstanding long-term debt for the fiscal year ended June 30, 2018.

	Amount
Capital Lease Payable	\$ 33,533
Revenue Bond Payable	<u>11,291,949</u>
Total	<u>\$ 11,325,482</u>

Change in Net Position

The Town's combined governmental and business-type activities include total revenues for the fiscal year ended June 30, 2018 in the amount of \$7,806,938. The total expenses of all governmental and business-type activities were \$6,652,957 leaving an increase in net position of \$1,153,981.

The following table presents a summary of the activity that resulted in changes to total net position for the fiscal years June 30, 2018 and 2017.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,137,655	\$ 1,948,205	\$ 3,081,904	\$ 2,971,388	\$ 5,219,559	\$ 4,919,593
Operating Grants and Contributions	197,787	307,704	-	-	197,787	307,704
Capital Grants and Contributions	99,900	49,454	305,297	-	405,197	49,454
General Revenues:						
Taxes						
Property Taxes, levied for general purpose	1,132,744	1,072,097	-	-	1,132,744	1,072,097
Local Option Sales Tax	800,273	605,776	-	-	800,273	605,776
Other Tax	19,095	19,095	-	-	19,095	19,095
Other	18,648	160,276	13,635	4,889	32,283	165,165
Total Revenues	<u>4,406,102</u>	<u>4,162,607</u>	<u>3,400,836</u>	<u>2,976,277</u>	<u>7,806,938</u>	<u>7,138,884</u>
Expenses:						
Governmental Activities						
General Government	493,919	806,237	-	-	493,919	806,237
Public Safety	1,804,600	1,728,022	-	-	1,804,600	1,728,022
Public Works	654,227	766,965	-	-	654,227	766,965
Culture and Recreation	469,207	416,191	-	-	469,207	416,191
Health and Welfare	116,257	103,048	-	-	116,257	103,048
Business-type Activities						
Water and Sewer Utilities	-	-	3,114,747	2,882,081	3,114,747	2,882,081
Total Expenses	<u>3,538,210</u>	<u>3,820,463</u>	<u>3,114,747</u>	<u>2,882,081</u>	<u>6,652,957</u>	<u>6,702,544</u>
Increase in Net Position	867,892	342,144	286,089	94,196	1,153,981	436,340
Beginning Net Position, restated	<u>4,056,229</u>	<u>3,714,085</u>	<u>4,862,352</u>	<u>4,768,156</u>	<u>8,918,581</u>	<u>8,482,241</u>
Ending Net Position	<u>\$ 4,924,121</u>	<u>\$ 4,056,229</u>	<u>\$ 5,148,441</u>	<u>\$ 4,862,352</u>	<u>\$ 10,072,562</u>	<u>\$ 8,918,581</u>

Governmental Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2018, the Town's governmental funds reported a fund balance of \$2,394,029. 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 June 30, 2018, the Town's unassigned fund balance for the governmental fund was \$1,480,253, all of which comes from the General Fund.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

General Fund

The General Fund is the operating fund included in governmental activities of the Town. At the end of the current fiscal year, total revenues were \$4,005,761. Total expenditures were \$3,824,852, and other financing sources proceeds of \$78,207, leaving a net increase in fund balance of \$259,116.

The following summarizes expenses within major categories:

	Amount
General Government	\$ 655,460
Public Safety	1,679,359
Public Works	621,493
Culture and Recreation	308,937
Health and Welfare	116,257
Capital Outlay	207,798
Debt Service	<u>235,548</u>
Total	<u>\$ 3,824,852</u>

General Fund Budgetary Highlights

The Town's budget is prepared according to South Carolina Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The original budget was approved by the Mayor and Town Council held at the June 2017 meeting. During the course of the 2018 fiscal year, amendments to the Town's general fund budget were made.

Budgetary Highlights

A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information.

The Town final budget was \$3,394,535 in General Fund Revenue with actual revenue totaling \$4,005,761 for a difference of \$611,226. The budget for expenditures was estimated to be \$3,394,535 with the expenditures being \$3,824,850 for a difference of \$430,315.

Request for Information

This report is intended to provide a summary of the financial condition of the Town of Kingstree and to demonstrate the Town's accountability for the resources it receives. Questions or requests for additional information should be submitted in writing to the address below:

Town of Kingstree
401 North Longstreet
Kingstree, SC 29556

BASIC FINANCIAL STATEMENTS

TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,766,341	\$ 1,978,714	\$ 3,745,055
Accounts Receivable (Net)	327,647	343,266	670,913
Property Taxes Receivable (Net)	843,354	-	843,354
Prepaid Expenses	83,352	-	83,352
Inventory	-	21,450	21,450
Due from Other Governments	23,469	24,143	47,612
Due from Other Funds- Current	349,806	(349,806)	-
Restricted Cash	30,782	295,008	325,790
Capital Assets, Net of Accumulated Depreciation:			
Land, non-depreciable	1,205,273	145,000	1,350,273
Construction in Progress, non-depreciable	-	48,979	48,979
Buildings and Improvements	2,423,928	192,687	2,616,615
Equipment and Vehicles	1,016,834	109,049	1,125,883
Water and Sewer System	-	15,175,175	15,175,175
Total Capital Assets, Net of Accumulated Depreciation:	4,646,035	15,670,890	20,316,925
Total Assets	8,070,786	17,983,665	26,054,451
Deferred Outflow of Resources:			
Deferred outflow on pension	476,341	298,571	774,912
Total Deferred Outflow of Resources	476,341	298,571	774,912
Liabilities:			
Accounts Payable	104,920	74,941	179,861
Accrued Expenses	89,366	-	89,366
Due to Third Parties	2,043	-	2,043
Interest Payable	-	16,576	16,576
Pension Liability	2,521,789	1,681,193	4,202,982
Unearned Revenue	19,571	-	19,571
Noncurrent Liabilities:			
Due within one year:	27,048	245,767	272,815
Due in more than one year:	66,130	11,069,822	11,135,952
Total Liabilities	2,830,867	13,088,299	15,919,166
Deferred Inflows of Resources:			
Deferred inflow on pension	68,244	45,496	113,740
Unavailable revenue	723,895	-	723,895
Total Deferred Inflows of Resources	792,139	45,496	837,635
Net Position:			
Nonspendable	83,352	21,450	104,802
Invested in Capital Assets, Net of Related Debt	4,612,502	4,423,941	9,036,443
Restricted for Victim's Fund	30,028	-	30,028
Restricted for Accomodations and Hospitality	771,156	-	771,156
Restricted for Law Enforcement	29,240	-	29,240
Restricted for Debt Service	-	295,008	295,008
Unrestricted	(602,157)	408,042	(194,115)
Total Net Position	\$ 4,924,121	\$ 5,148,441	\$ 10,072,562

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

**TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operation Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities							
General Government	\$ 493,919	\$ 1,261,761	\$ 197,787	\$ 99,900	\$ 1,065,529	\$ -	\$ 1,065,529
Public Safety	1,804,600	84,072	-	-	(1,720,528)	-	(1,720,528)
Public Works	654,227	633,013	-	-	(21,214)	-	(21,214)
Culture and Recreation	469,207	112,203	-	-	(357,004)	-	(357,004)
Health and Welfare	116,257	46,606	-	-	(69,651)	-	(69,651)
Total governmental activities	3,538,210	2,137,655	197,787	99,900	(1,102,868)	-	(1,102,868)
Business-type Activities							
Water and Sewer Utilities	3,114,747	3,081,904	-	305,297	-	272,454	272,454
Total business-type activities	3,114,747	3,081,904	-	305,297	-	272,454	272,454
Total primary government	\$ 6,652,957	\$ 5,219,559	\$ 197,787	\$ 405,197	(1,102,868)	272,454	(830,414)
General Revenues:							
Taxes							
Property taxes, levied for general purpose					1,132,744	-	1,132,744
Local Option Sales Tax					800,273	-	800,273
Merchant Inventory Tax					19,095	-	19,095
Unrestricted Investment Earnings					13	2,634	2,647
Gain on sale of capital assets					266	-	266
Miscellaneous					18,369	11,001	29,370
Total General Revenues					1,970,760	13,635	1,984,129
Change in Net Position					867,892	286,089	1,153,981
Net Position - Beginning					4,056,229	4,862,352	8,918,581
Net Position - Ending					\$ 4,924,121	\$ 5,148,441	\$ 10,072,562

TOWN OF KINGSTREE SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Accommodations & Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 979,786	\$ 755,272	\$ 31,283	\$ 1,766,341
Accounts Receivable (Net)	301,679	25,968	-	327,647
Property Taxes Receivable (Net)	843,354	-	-	843,354
Due from Other Governments	-	22,719	750	23,469
Due from Other Funds	365,470	-	-	365,470
Prepaid Expense	78,098	5,254	-	83,352
Cash and Cash Equivalents- Restricted	-	-	30,782	30,782
Total Assets	\$ 2,568,387	\$ 809,213	\$ 62,815	\$ 3,440,415
Liabilities:				
Accounts Payable	\$ 97,170	\$ 7,750	\$ -	\$ 104,920
Accrued Expenditures	89,366	-	-	89,366
Due to Third Parties	-	-	2,043	2,043
Due to Other Funds	-	14,160	1,504	15,664
Unearned Revenue	8,678	10,893	-	19,571
Total Liabilities	195,214	32,803	3,547	231,564
Deferred inflows of resources				
Unavailable revenue	814,822	-	-	814,822
Total Deferred Inflows of Resources	814,822	-	-	814,822
Fund Balances:				
Nonspendable	78,098	5,254	-	83,352
Restricted	-	771,156	41,068	812,224
Committed	-	-	18,200	18,200
Unassigned	1,480,253	-	-	1,480,253
Total Fund Balance	1,558,351	776,410	59,268	2,394,029
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,568,387	\$ 809,213	\$ 62,815	\$ 3,440,415

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

**TOWN OF KINGSTREE, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUND
AS OF JUNE 30, 2018**

Fund Balance- Total Governmental Fund		\$ 2,394,029
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financing resources and therefore are not reported in the governmental fund:</p>		
Governmental Capital Assets	\$ 8,045,082	
Less Accumulated Depreciation	<u>(3,399,047)</u>	4,646,035
<p>Other long-term assets, such as property taxes and pension expense are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Property taxes		90,927
Net pension deferrals		408,097
<p>Long-term liabilities are not due and payable in the current period are therefore are not reported in the governmental fund.</p>		
Net Pension Liability	(2,521,789)	
Capital lease	(33,533)	
Compensated Absences	<u>(59,645)</u>	(2,614,967)
		\$ 4,924,121
Net Position of Governmental Activities		<u><u>\$ 4,924,121</u></u>

TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Accommodations & Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property and Local Option Sales Tax	\$ 1,663,022	\$ 276,140	\$ -	\$ 1,939,162
Intergovernmental Revenue	273,777	-	23,910	297,687
Charges for Services	2,065,497	72,158	-	2,137,655
Interest Earned	-	-	13	13
Other Revenue	3,465	-	14,904	18,369
Total Revenues	<u>4,005,761</u>	<u>348,298</u>	<u>38,827</u>	<u>4,392,886</u>
Expenditures				
Current:				
General Government	655,460	-	-	655,460
Public Safety	1,679,359	-	11,209	1,690,568
Public Works	621,493	-	279	621,772
Culture and Recreation	308,937	150,969	-	459,906
Health and Welfare	116,257	-	-	116,257
Capital Outlay	207,798	11,106	-	218,904
Debt Service				
Principal	232,104	-	-	232,104
Interest and fiscal charges	3,444	-	-	3,444
Total Expenditures	<u>3,824,852</u>	<u>162,075</u>	<u>11,488</u>	<u>3,998,415</u>
Excess of revenues over expenditures	<u>180,909</u>	<u>186,223</u>	<u>27,339</u>	<u>394,471</u>
Other financing sources				
Transfer from / (to) other funds	15,584	-	(15,584)	-
Capital Proceeds	62,357	-	-	62,357
Proceeds From Sale of Capital Assets	266	-	-	266
Total other financing sources	<u>78,207</u>	<u>-</u>	<u>(15,584)</u>	<u>62,623</u>
Net change in fund balance	259,116	186,223	11,755	457,094
Fund Balances, beginning of year	1,299,235	590,187	47,513	1,936,935
Fund Balances, end of year	<u>\$ 1,558,351</u>	<u>\$ 776,410</u>	<u>\$ 59,268</u>	<u>\$ 2,394,029</u>

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

TOWN OF KINGSTREE, SOUTH CAROLINA **Page 8**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2018

Net Change in Fund Balance - Total Governmental Fund **\$ 457,094**

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

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciated expense.

This is the amount by which capital outlay exceeds depreciation in the current period.

Capital asset additions	\$ 218,904	
Less current year depreciation	<u>(332,720)</u>	(113,816)

Because some property taxes and local option sales tax will not be collected for several months after year-end, they are not considered "available" revenues in the governmental fund. 12,950

Pension expense that is related to net pension liability as recorded in the statement of activities is based on the Town's proportionate share of pension expense of the retirement system as a whole, where as pension expense recorded in the funds is based on the use of current financial resources (e.g. required contributions) 338,216

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase/decrease in compensated absences and interest expense.

Note payable principal payments		232,104
Debt proceeds		(62,357)
Compensated absences		<u>3,701</u>

Change in Net Position of Governmental Activities **\$ 867,892**

TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

		<u>Business-Type Activities</u> <u>Enterprise Funds</u>
		<u>Water and</u> <u>Sewer</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$	1,978,714
Accounts Receivable, net		343,266
Inventory		21,450
Due from Other Governments		24,143
Total Current Assets		<u>2,367,573</u>
Non-Current Assets:		
Cash and Cash Equivalents- Restricted		295,008
Capital Assets:		
Land		145,000
Building and Improvements		906,680
Vehicles and Equipment		489,485
Water and Sewer System		24,703,002
Construction in Progress		48,979
Accumulated Depreciation		(10,622,256)
Total Capital Assets		<u>15,670,890</u>
Total Non-Current Assets		<u>15,965,898</u>
Total Assets		<u>18,333,471</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflow of Resources:		
Deferred outflow on pension		298,571
Total Deferred Outflow of Resources		<u>298,571</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable		74,941
Accrued Interest Payable		16,576
Due to Other Funds		349,806
Current Portion - Compensated Absences		6,864
Current Portion - Bonds Payable		238,903
Total Current Liabilities		<u>687,090</u>
Non-Current Liabilities:		
Compensated Absences		61,776
Bonds Payable		11,008,046
Net Pension Liability		1,681,193
Total Non-Current Liabilities		<u>12,751,015</u>
Total Liabilities		<u>13,438,105</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflow of Resources:		
Deferred inflow on pension		45,496
Total Deferred Inflow of Resources		<u>45,496</u>
<u>NET POSITION</u>		
Invested in Capital Assets, net of related debt		4,423,941
Restricted for debt service-expendable		295,008
Unrestricted		429,492
Total Net Position	\$	<u>5,148,441</u>

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

TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED
JUNE 30, 2018

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	Business-Type Activities Enterprise Funds
	Water and Sewer
OPERATING REVENUES:	
Charges for Services	\$ 3,081,904
Total Operating Revenues	3,081,904
OPERATING EXPENSES:	
Personnel services	1,050,532
Contractual Services	539,708
Materials and Supplies	144,537
Travel and Training	11,502
Utilities	229,114
Repairs and Maintenance	209,001
Bad Debt	118
Miscellaneous	2,883
Depreciation and Amortization Expense	621,563
Total Operating Expenses	2,808,958
Operating Income	272,946
NONOPERATING REVENUES (EXPENSES):	
Interest Income	2,634
Interest Expense	(305,789)
Intergovernmental Revenue	305,297
Other Revenue	11,001
Total Nonoperating Revenues (Expenses)	13,143
Changes in net position	286,089
Total Net Position beginning of the year	4,862,352
Total Net Position end of the year	\$ 5,148,441

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

**TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

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		<u>Business-type Activities Enterprise Funds</u>
		<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$	3,049,130
Payments to employees and suppliers for services		(1,960,283)
Net cash provided by (used in) operating activities		<u>1,088,847</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Nonoperating other revenue (expense)		316,298
Net cash provide by (used in) noncapital financing activities		<u>316,298</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on long term debt		(283,221)
Interest paid		(305,789)
Net cash provided by (used in) capital and related financing activities		<u>(589,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets		(335,725)
Interest received		2,634
Net cash received from (used by) investing activities		<u>(333,091)</u>
Net increase (decrease) in cash and cash equivalents		483,044
Cash and cash equivalents, beginning of year		1,790,678
Cash and cash equivalents, end of year	\$	<u>2,273,722</u>
Financial Statement Presentation:		
Cash and Cash Equivalents	\$	1,978,714
Cash and Cash Equivalents- Restricted		295,008
	\$	<u>2,273,722</u>
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:		
Operating Income	\$	272,946
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation and Amortization		621,563
Changes in assets and liabilities:		
(Increase) Decrease in Receivables		(106,072)
(Increase) Decrease in Due from/to Other Funds		135,344
(Increase) Decrease in Due from Other Governments		(1,643)
Increase (Decrease) in Pension Obligation		76,117
Increase (Decrease) in Accrued Expenses		1,586
Increase (Decrease) in Accounts Payable		74,941
Increase (Decrease) in Compensated Absences		14,065
Total adjustments		<u>815,901</u>
Net cash provided by (used in) operating activities	\$	<u>1,088,847</u>

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

**TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 13,642
Total Assets	\$ <u>13,642</u>
<u>LIABILITIES</u>	
Liabilities:	
Due to Others	\$ 13,642
Total Liabilities	\$ <u>13,642</u>

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

1 - Summary of Significant Accounting Policies:

A. Introduction-

The Town of Kingstree, South Carolina (the Town) was incorporated under the laws of the State of South Carolina. The Town is governed by an elected mayor and six-member council. All legislative and administrative powers of the municipality and determination of all matters of policy are vested in the Town Council. Among the services which the Town funds provide in whole, or in part, are the following: administrative, public safety, public works, community development, and culture and recreation.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: 1) The primary government is legally entitled to or can otherwise access the organization's resources. 2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization. 3) The primary government is obligated in some manner for the debt of the organization.

Based on the criteria, The Town has one reportable blended component unit.

The Town of Kingstree Development Corporation, Inc. 401 N. Longstreet Street, Kingstree, South Carolina, 29556. This Non-Profit Corporate entity established June 12, 2018, to assist in the development, conservation and redevelopment of neighborhoods and commercial districts located in the Town of Kingstree, SC. The Corporation is governed by a Board of Directors which shall consist of five voting and three non-voting Directors. Non-voting Directors shall be three members if the Town of Kingstree's employ consisting of the Town Manager, whom shall be the Executive Director, and two employees nominated by

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

the Town Manager and approved by the Board to serve as the Treasurer and Secretary. The remaining five voting Directors must have a vested residential or business interest within the Town of Kingstree and/or Williamsburg County, South Carolina. This entity had no reporting activity for the year ended June 30, 2018 but will be reported as a special revenue fund.

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Kingstree, South Carolina are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2018.

B. Financial Reporting Entity – Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and the fund financial statements which provide a more detailed level of financial information. The accounts of the Town 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 to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained constant with legal and managerial requirements. There are three categories of funds in this reporting entity: governmental, proprietary and fiduciary.

Government-wide Financial Statements-

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities are generally supported by taxes and other intergovernmental revenues and business-type activities are generally supported in whole or in part with charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and business-type activities. Direct expenses are those that specifically associate with a services, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the good or services offered by the program, grant and contributions that are restricted to meeting operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues and all taxes are presented as general revenues of the Town, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

Fund Financial Statements-

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting-**Governmental funds**

Governmental funds are used to account for general governmental activities. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's major governmental funds:

General Fund- This is the operating fund of the Town. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Accommodations and Hospitality Fund- This is a special revenue fund of the Town. This fund accounts for the government's state and local option accommodations and hospitality sales tax that are restricted for use of local culture and recreation development.

Proprietary funds

Proprietary funds financial reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flow. Proprietary funds are classified as either enterprise or internal service. These funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The following is the Town's major and only proprietary fund:

Water and Sewer Fund- This fund is used to account for the Town's water and sewer operations. It consists of a water systems and equipment used to process water to its customers and a treatment plant and equipment to process sewage.

Fiduciary fund

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund accounts for assets held by the entity as an agent on behalf of others. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of result of operations. The Town's only fiduciary fund is an agency fund.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

Agency fund

Agency fund primarily consists of monies collected and disbursed by the Town on behalf of the Fireman's Fund. These monies are not under the control of the Town council but rather by the Town's Fire Department Chief.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation-

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

The **government-wide statements** are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. All assets and liabilities associated with the operations of the Town are included on the statement of net assets.

The **governmental fund financial statements** are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only the current assets and current liabilities generally are included on the balance sheet. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the Town considers revenues to be available if they are collected within 30 days of the end of the current fiscal year, except for federal grant revenue which is considered available if collected within six months. Expenditures generally are recorded when a liability is expected to be liquidated with expendable and available resources.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, local option sales taxes, fines and forfeitures, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when first permitted, matching requirement in which the Town must provide local resources to be used for a specific purpose and expenditures requirements in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measureable and available at year-end: property taxes collected within 30 days of the year-end, fines and forfeitures, certain charges for services, local option sales tax, grants and other intergovernmental revenues. Other revenue, including permits, licenses and miscellaneous revenues are recorded as revenues are received because they generally are not considered measurable until actually received.

The proprietary, is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

It is the Town's policy to use restricted, committed, assigned and unassigned amounts respectively when expenditures incur.

C. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The Town maintains and controls several cash accounts for the funds of the primary government, some of which is restricted. Each fund's cash is displayed on its respective balance sheet as "cash and cash equivalents" in current assets for non-restricted cash and non-current assets for restricted cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, including certificates of deposits. For the purpose of the Proprietary Fund's statement of cash flows, all short-term highly liquid investments, including restricted assets, with original maturities of three months or less from the date of acquisition are considered to be cash equivalents.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

Inventories and Prepaid Items

The Town's inventories are valued at cost, which approximates market, using the average cost method. The consumption method of accounting is used to record inventories under which the cost of inventory is recorded as an expenditure when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds."

Starting January 1, 2009, the property taxes for the Town are assessed, billed and collected by Williamsburg County, South Carolina. The Town recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represents delinquent real taxes receivable for the past ten years, less an allowance for amounts estimated to be uncollectable. All net property taxes receivable at year end, except those collected within 30 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds. Taxes on real property and certain personal property attach an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicle and are payable on or before January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – three percent, February 1st-an additional seven percent, March 16 -an additional five percent. All unpaid taxes are placed in execution on March 16th. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The taxpayer must provide proof of payment to the South Carolina Department of Motor Vehicles before that agency will renew the vehicle license.

The water, sewer and sanitation receivables represent various volume, availability and other service fees earned but not yet collected. Cycle billings at year-end are estimated to record revenues earned through year-end. Recurring consumption and capacity fees from residential and commercial customers are recognized as operating revenues.

Restricted Assets

Certain assets of the Town's General Fund and Enterprise Funds are derived from proceeds of various Revenue Bonds and Victim's Assistance programs and are set aside for the specific purpose of providing victims assistance or for the purpose to fulfill bond agreement reserve requirements. These assets are classified as restricted assets on the balance sheet in the government-wide and reserved in fund financial statements, because their use is limited by contract. All restricted assets are considered expendable.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

Capital Assets and Depreciation

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life are not capitalized.

All reported capital assets except land and construction in process are depreciated. Useful lives are estimated based on the Town's historical records. Depreciation is provided using the straight-line method over the following estimated useful lives, in years:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Equipment	3 – 30

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable lien claim as of December 31, 2017, but which were to be levied to finance fiscal year 2018 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pension reported in the government-wide statement of net position. A deferred charge on pension results from the difference in the carrying value of the liability and allocated asset. This amount is deferred and amortized over the shorter of the life of the pension expense or pension liability.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bonds payable are reported as liabilities, net of the applicable bond premium or discount. Bond issuance costs are expensed as 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 debt service expenditures.

Compensated Absences

Sick Leave

It is the Town's policy to permit employees to accumulate earned but unused sick benefits throughout the year. No liability is reported for unpaid accumulated sick leave as any unused sick leave is forfeited at the end of the year and therefore does not vest to individual employees.

Vacation Benefits

Every employee in the Town's service holding a regular full-time position shall begin earning vacation time with pay. An employee is allowed to accumulate unused vacation days up to a maximum number of 480 hours that may be earned in a calendar year for carryover from one year to the subsequent year. Upon termination, the employee is paid for the unused vacation days at their current salary rate.

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Such vacation benefits shall be granted as follows:

Time of Continuous Service	Days Earned Per Year
1 to 2 years	5 Days
2 to 10 years	10 Days
After 10 years	15 Days

All vacation and compensatory pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only to the extent they are payable from current resources, and represent matured liabilities, for example, as a result of employee resignations and retirements.

Net Position and Fund Balances

Government-wide Statements- Equity is classified as net assets and displayed in three components:

Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position- Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position- Consists of all other net position that do not meet the definition of “restricted” or “net invested in capital assets, net of related debt.”

Fund Statements- Governmental fund equity is classified as non-spendable, restricted, committed, assigned and unassigned.

Non-spendable balance represents balances associated with inventories and/or prepaid expenses. Restricted balances can be spent only for the specific purpose stipulated by constitution, external resource, providers or other enabling legislation. Committed balances are those for which the specific purpose has been determined by a formal action of the government’s board. Assigned balances are those for which specific purposes have been assigned without the above mentioned authorities. Unassigned balances are for which the residual amounts remain.

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The Town generally uses 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 made.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the Town's management to make estimates and assumptions. These 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer activity as well as housing and economic development activity. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Inter-fund Activity

Inter-fund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The Town had no outstanding encumbrances reportable for the current year-end.

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E. Budgets and Budgetary Accounting

The Town adopts an annual budget for the general fund and both proprietary funds; however the proprietary funds are not legally required to be reported. The mayor and the clerk submit to the Town Council a proposed operating budget for the upcoming year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments and prior to June 30; the budget is legally enacted through passage of an ordinance. The level of budgetary control is determined by the Town Council at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Town Council. Budget amounts presented are as originally adopted with amendments and classification for presentation purposes. The annual budgets are prepared in accordance with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Encumbrance accounting is not employed in the Town's governmental funds. During the year, supplementary appropriations were necessary. The General fund budget amendments included increases and decreases within department, the planned use of fund balance for various expenditures.

2. Deposits and Investments

Interest Rate Risk

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

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. State statutes authorize the Town to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General Obligations of the State of South Carolina or any of its political units;
3. Saving and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificate of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and

TOWN OF KINGSTREE, SOUTH CAROLINA
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5. No-load open 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.

In addition, South Carolina statutes authorize the Town to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws, and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies, and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the Town's position in the pool, if any, is the same as the fair value of the pool shares. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

Custodial Credit Risk-Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The town does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, and political subdivisions of South Carolina, The Federal National Mortgage Association, The Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of June 30, 2018, the Town's bank balances, including agency funds, of \$4,244,813 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the Town's name.

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Custodial Credit Risk-Investment

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

As of June 30, 2018, the Town held no investments.

3- Receivables and Deferred Revenues

Receivables and deferred revenues by fund as of year-end are as follows:

	Governmental Funds		Proprietary Funds
	General Fund	Accommodations & Hospitality Fund	Water & Sewer Fund
Property tax receivables			
Current property taxes	\$ 723,895		
Current vehicle taxes	18,443		
Delinquent property taxes	101,016		
Net property tax receivables	\$ 843,354		
Accounts and mortgage receivable	\$ 301,679	\$ 25,968	\$ 358,767
Allowance for uncollectable	-	-	(15,501)
Net receivables	\$ 301,679	\$ 25,968	\$ 343,266
Unearned Revenue			
Recreation fees	\$ 40	\$ -	
Public works department projects	1,000	-	
Event deposits	7,638	10,893	
Total Unearned Revenue	\$ 8,678	\$ 10,893	
Deferred Revenue			
Delinquent property taxes not collected within 30 days after year-end	\$ 723,895		
Total Deffered Revenue	\$ 723,895		

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4-Capital Assets-

Governmental capital asset activity for the year-end June 30, 2018 was as follows:

	Balance 6/30/2017	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2018
Land, not depreciated	\$ 1,174,720	\$ 30,553	\$ -	\$ 1,205,273
Capital assets being depreciated:				
Buildings and improvements	4,365,784	-	-	4,365,784
Equipment	633,004	126,540	-	759,544
Vehicles	1,652,670	61,811	-	1,714,481
Total capital assets	<u>7,826,178</u>	<u>218,904</u>	<u>-</u>	<u>8,045,082</u>
Less accumulated depreciation:				
Buildings and improvements	1,771,954	169,902	-	1,941,856
Equipment	297,657	53,133	-	350,790
Vehicles	996,716	109,685	-	1,106,401
Total accumulated depreciation	<u>3,066,327</u>	<u>332,720</u>	<u>-</u>	<u>3,399,047</u>
Total capital assets, net	<u>\$ 4,759,851</u>	<u>\$ (113,816)</u>	<u>\$ -</u>	<u>\$ 4,646,035</u>

Business-type Activities capital asset activity for the year-end June 30, 2018 was as follows:

	Balance 6/30/2017	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2018
Land, not depreciated	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress, not depreciated	74,471	280,203	(305,695)	48,979
Capital assets being depreciated:				
Buildings and improvements	906,680	-	-	906,680
Equipment	340,852	55,522	-	396,374
Vehicles	93,111	-	-	93,111
Water & sewer system	24,397,307	305,695	-	24,703,002
Total capital assets	<u>25,957,421</u>	<u>641,420</u>	<u>(305,695)</u>	<u>26,293,146</u>
Less accumulated depreciation:				
Buildings and improvements	695,726	18,267	-	713,993
Equipment	271,916	21,650	-	293,566
Vehicles	73,768	13,102	-	86,870
Water & sewer system	8,959,283	568,544	-	9,527,827
Total accumulated depreciation	<u>10,000,693</u>	<u>621,563</u>	<u>-</u>	<u>10,622,256</u>
Total capital assets, net	<u>\$ 15,956,728</u>	<u>\$ 19,857</u>	<u>\$ (305,695)</u>	<u>\$ 15,670,890</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
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Depreciation expense was charged as follows:

Depreciation expense was charged as follows:

Governmental Activities	
General government	\$ 176,932
Public safety	114,032
Public works	32,455
Culture and recreation	9,301
	<u>\$ 332,720</u>
 Business - Type Activities	
Water & sewer fund	<u>\$ 621,563</u>

5-Interfund Activity

Outstanding balances between funds are a result of timing differences between the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, and (3) payments between funds being made. All balances are expected to be repaid within the following year.

	Receivable Fund	Payable Fund
General fund	\$ 365,470	\$ -
Special revenue fund - Accomodations	-	14,160
Special revenue fund - Storm	-	750
Special revenue fund - Victums	-	754
Enterprise fund - Water & sewer	-	349,806
Total	<u>\$ 365,470</u>	<u>\$ 365,470</u>

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6- Long-Term Debt

The following is a summary of debt transactions for the Town for the year ended June 30, 2018:

Governmental Activities	Balance			Balance	Due within
	6/30/2017	Increase	Decrease	6/30/2018	One Year
Compensated absences	\$ 63,346	\$ 59,645	\$ 63,346	\$ 59,645	\$ 5,965
Short-term bond	210,000	-	210,000	-	-
Capital note payable	-	55,638	22,105	33,533	21,083
	<u>\$ 273,346</u>	<u>\$ 115,283</u>	<u>\$ 295,451</u>	<u>\$ 93,178</u>	<u>\$ 27,048</u>

Business - Type Activities	Balance			Balance	Due within
	6/30/2017	Increase	Decrease	6/30/2018	One Year
Compensated absences	\$ 54,575	\$ 68,640	\$ 54,575	\$ 68,640	\$ 6,864
Revenue bonds	11,530,171	-	283,221	11,246,950	271,782
	<u>\$ 11,584,746</u>	<u>\$ 68,640</u>	<u>\$ 337,796</u>	<u>\$ 11,315,590</u>	<u>\$ 278,646</u>

Short-term Bond Payable – Governmental Activities

The Town purchased a land using as a short term note payable in the amount of \$210,000. A payment in the amount of \$213,444, including interest, was paid on November 15, 2017.

Revenue Bonds Payable – Business – Type Activities

The Town issue revenue bonds to provide funds for the construction of major capital water and sewer treatment facilities. These revenue bonds are expected to be repaid using the operational revenue from the town's water and sewer fund operations. The revenue bonds payables outstanding on June 30, 2018 include the following:

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<u>Issue Date</u>	<u>Description</u>	<u>Original</u>	<u>Outstanding</u>
2/3/2000	Revenue Bond with an annual interest rate of 4.5%, annual fixed payments of \$11,616 principal plus interest and matures in 2040. Water and Sewer operating revenues will be used to service debt.	\$ 215,000	\$ 159,998
2/3/2000	Revenue Bond with an annual interest rate of 4.5%, annual fixed payments of \$175,068 principal plus interest and matures in 2040. Water and Sewer operating revenues will be used to service debt.	3,241,800	2,409,257
7/19/2013	Revenue Bond with an annual interest rate of 2.125%, annual fixed payments of \$316,200 principal plus interest and matures in 2045. Water and Sewer operating revenues will be used to service debt.	8,500,000	6,592,820
7/19/2013	Revenue Bond with an annual interest rate of 2.125%, annual fixed payments of \$84,540 principal plus interest and matures in 2053. Water and Sewer operating revenues will be used to service debt.	2,272,500	2,084,874
		<u>\$ 14,229,300</u>	<u>\$ 11,246,949</u>

A summary of the annual requirements for revenue bond payables are as follows:

Business - Type Activities

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 238,903	\$ 296,947
2020	245,743	290,106
2021	252,808	283,042
2022	260,108	275,742
2023	267,650	268,199
2024 - 2028	1,460,546	1,218,704
2029 - 2033	1,691,261	987,989
2034 - 2038	1,964,717	714,533
2039 - 2043	1,699,567	427,138
2044 - 2048	1,498,889	259,458
2049 - 2053	1,666,757	91,589
	<u>\$ 11,246,949</u>	<u>\$ 5,113,447</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
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7- Risk Management

The Town is exposed to various risks of loss and pays insurance premiums to certain State agencies and commercial insurers to cover risks that may occur in normal operations. Management believes such coverage is sufficient to preclude any significant losses for the covered risk. The Town has not had a significant reduction in insurance in the last three years and has not had claims in excess of coverage in the last three years.

Several State funds accumulated assets and the State itself assumes substantially all risks for the following:

- 1) Claims of State employees for unemployment compensation benefits (Employment Security Commission)
- 2) Claims of covered employees for workers compensation benefits for job-related illness or injuries (State Accident Fund)
- 3) Claims of covered public employees for long-term disability and group-life insurance benefits (Retirement Systems)

8- Retirement Plans

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS 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.
- 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 a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers.

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For this reason, State ORP programs are not part of the retirement systems' trust funds 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 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 and an incidental death benefit contribution, 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.

Benefits

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

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

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

TOWN OF KINGSTREE, SOUTH CAROLINA
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- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

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

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

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The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates are as follows:			
	Fiscal Year 2018	Fiscal Year 2017	
SCRS			
	Employee Class Two	9.00%	8.66%
	Employee Class Three	9.00%	8.66%
State ORP			
	Employee	9.00%	8.66%
PORS			
	Employee Class Two	9.75%	9.24%
	Employee Class Three	9.75%	9.24%

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

The Town of Kingstree Employer's Proportionate Share of the South Carolina Retirement System is .01014%. The Town of Kingstree Employer's Proportionate Share of the South Carolina Police Officers Retirement System is .07012%.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2018

Deferred Outflows (Inflows) of Resources

At June 30, 2018, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflow of resources</u>
Pension contributions subsequent to measurement date	\$ 271,065	\$ -
Difference in actual and proportionate share of employer contribution	-	85,382
Difference in actual and expected experience	27,303	1,265
Change in assumptions	315,905	-
Net difference between projected and actual earnings on plan investments	132,155	-
Change in proportionate share of net pension liability	-	27,093
	<u>\$ 746,428</u>	<u>\$ 113,740</u>

The Town reported \$271,065 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2018.

Measurement Period	Fiscal Year	SCRS	PORS
Ending June 30,	Ending June 30,		
2018	2019	\$ 10,607	\$ 37,390
2019	2020	46,159	83,381
2020	2021	43,846	42,764
2021	2022	20,485	76,991
		<u>\$ 121,097</u>	<u>\$ 240,526</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

TOWN OF KINGSTREE, SOUTH CAROLINA
BUDGETARY COMPARISON (GAAP BASIS) SCHEDULE
GENERAL FUND-UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property and Local Option Sales Tax	\$ 1,307,000	\$ 1,307,000	\$ 1,663,022	\$ 356,022
Intergovernmental Revenues	171,595	171,595	273,777	102,182
Charges for Services	1,906,440	1,914,440	2,065,497	151,057
Other Revenue	1,500	1,500	3,465	1,965
Total Revenue	<u>3,386,535</u>	<u>3,394,535</u>	<u>4,005,761</u>	<u>611,226</u>
EXPENDITURES				
General Government	586,345	589,345	655,458	(66,113)
Public Safety	1,672,443	1,672,443	1,679,359	(6,916)
Public Works	665,723	665,723	621,493	44,230
Culture and Recreation	254,300	254,300	308,937	(54,637)
Health and Welfare	144,624	149,624	116,257	33,367
Capital Outlay	63,100	63,100	207,798	(144,698)
Debt Service				
Principal	-	-	232,104	(232,104)
Interest	-	-	3,444	(3,444)
Total Expenditures	<u>3,386,535</u>	<u>3,394,535</u>	<u>3,824,850</u>	<u>(430,315)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	180,911	180,911
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	15,584	15,584
Proceeds From Capital Lease Proceeds	-	-	62,357	62,357
Proceeds From Sale of Capital Assets	-	-	266	266
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>78,207</u>	<u>78,207</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	259,118	
Fund Balance - beginning of the year	<u>1,299,235</u>	<u>1,299,235</u>	<u>1,299,235</u>	
Fund Balance -end of year	<u><u>\$ 1,299,235</u></u>	<u><u>\$ 1,299,235</u></u>	<u><u>\$ 1,558,353</u></u>	

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property and Local Option Sales Tax	\$1,307,000	\$1,307,000	\$1,663,022	\$ 356,022
Intergovernmental Revenue	171,595	171,595	273,777	102,182
Charges for Services	1,906,440	1,914,440	2,065,497	151,057
Other Revenue	1,500	1,500	3,465	1,965
Total Revenues	<u>3,386,535</u>	<u>3,394,535</u>	<u>4,005,761</u>	<u>611,226</u>
 <u>EXPENDITURES</u>				
<u>General Government:</u>				
Salaries	219,475	219,475	222,666	(3,191)
Fringe Benefits	45,060	45,060	43,412	1,648
Workers Compensation	1,570	1,570	455	1,115
Utilities	150,000	150,000	172,879	(22,879)
Communication	11,000	11,000	8,650	2,350
Printing	1,750	1,750	1,957	(207)
Repairs and Maintenance	6,000	6,000	50,087	(44,087)
Dues and Subscriptions	10,500	10,500	9,434	1,066
Insurance	26,275	26,275	21,765	4,510
Travel/Training	20,000	20,000	9,490	10,510
Materials	19,500	19,500	14,345	5,155
Grant Projects	9,000	9,000	24,059	(15,059)
Contract Services	53,500	53,500	60,157	(6,657)
Miscellaneous	12,715	15,715	16,102	(387)
Total General Governmental	<u>586,345</u>	<u>589,345</u>	<u>655,458</u>	<u>(66,113)</u>

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>Public Safety:</u>				
<u>Police Department:</u>				
Salaries	\$ 638,624	\$ 638,624	\$ 518,621	\$ 120,003
Fringe Benefits	149,916	149,916	113,286	36,630
Workers Compensation	27,142	27,142	13,608	13,534
Communication	18,000	18,000	36,995	(18,995)
Printing	1,000	1,000	2,208	(1,208)
Repairs and Maintenance	5,500	5,500	23,249	(17,749)
Dues and Subscriptions	100	100	688	(588)
Insurance	97,258	97,258	57,880	39,378
Travel/Training	7,000	7,000	7,149	(149)
Materials	18,000	18,000	20,577	(2,577)
Safety	2,500	2,500	2,682	(182)
Miscellaneous	2,000	2,000	13,328	(11,328)
Vehicle O and M	78,000	78,000	144,013	(66,013)
Equipment Capital	-	-	14,894	14,894
Uniform	5,000	5,000	17,032	(12,032)
Special Contracts	59,000	59,000	99,575	(40,575)
State Fees	3,500	3,500	-	3,500
Total Police Department	<u>1,112,540</u>	<u>1,112,540</u>	<u>1,085,785</u>	<u>26,755</u>
<u>Fire Department:</u>				
Salaries	319,560	319,560	324,152	(4,592)
Fringe Benefits	72,160	72,160	69,374	2,786
Workers Compensation	13,883	13,883	4,802	9,081
Communication	13,000	13,000	19,804	(6,804)
Printing	300	300	-	300
Repairs and Maintenance	10,000	10,000	26,349	(16,349)
Travel/Training	5,000	5,000	2,998	2,002
Materials	14,000	14,000	22,343	(8,343)

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Insurance	\$ 42,550	\$ 42,550	\$ 35,103	\$ (7,447)
Special Contracts	36,000	36,000	56,265	(20,265)
Safety	9,000	9,000	9,928	(928)
Uniforms	5,000	5,000	4,720	280
Vehicle O and M	15,000	15,000	12,832	2,168
Miscellaneous	4,450	4,450	4,904	(454)
	<u>559,903</u>	<u>559,903</u>	<u>593,574</u>	<u>(33,671)</u>
Total Public Safety	<u>1,672,443</u>	<u>1,672,443</u>	<u>1,679,359</u>	<u>(6,916)</u>
 <u>Public Works:</u>				
Salaries	180,967	180,967	175,108	5,859
Fringe Benefits	37,842	37,842	33,987	3,855
Workers Compensation	5,731	5,731	1,740	3,991
Communication	1,500	1,500	1,026	474
Printing	250	250	-	250
Repairs and Maintenance	21,000	21,000	23,434	(2,434)
Uniform	5,000	5,000	843	4,157
Insurance	33,433	33,433	25,767	7,666
Safety	1,000	1,000	833	167
Special Contracts - Trash	351,000	351,000	336,941	14,059
Travel/Training	500	500	409	91
Vehicle O and M	12,000	12,000	9,217	2,783
Miscellaneous	500	500	-	500
Materials	15,000	15,000	12,188	2,812
Total Public Works	<u>665,723</u>	<u>665,723</u>	<u>621,493</u>	<u>44,230</u>

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>Culture and Recreation:</u>				
Salaries	\$ 116,624	\$ 116,624	\$ 120,136	\$ (3,512)
Fringe Benefits	23,370	23,370	22,354	1,016
Workers Compensation	2,270	2,270	692	1,578
Communication	4,500	4,500	3,086	1,414
Printing	500	500	488	12
Repairs and Maintenance	27,500	27,500	42,354	(14,854)
Insurance	18,236	18,236	17,477	759
Travel/Training	750	750	2,064	(1,314)
Materials	13,000	13,000	20,188	(7,188)
Safety	350	350	290	60
Uniforms	1,000	1,000	1,223	(223)
Miscellaneous	700	700	536	164
Sports expense	40,500	40,500	69,783	(29,283)
Vehicle O and M	5,000	5,000	8,266	(3,266)
Total Culture and Recreation	<u>254,300</u>	<u>254,300</u>	<u>308,937</u>	<u>(54,637)</u>
<u>Health and Welfare:</u>				
Salaries	43,844	43,844	27,751	16,093
Fringe Benefits	9,419	9,419	5,580	3,839
Workers Compensation	542	542	166	376
Communication	2,000	2,000	2,998	(998)
Printing	2,000	2,000	1,865	135
Repairs and Maintenance	19,800	19,800	23,235	(3,435)
Dues and Subscriptions	700	700	10	690
Insurance	6,079	6,079	2,913	3,166
Travel/Training	5,000	5,000	3,177	1,823
Materials	2,500	2,500	1,748	752
Safety	240	240	122	118

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Building Demolition	\$ 50,000	\$ 50,000	\$ 46,010	\$ 3,990
Miscellaneous	500	5,500	-	5,500
Vehicle O and M	<u>2,000</u>	<u>2,000</u>	<u>682</u>	<u>1,318</u>
Total Health and Welfare	<u>144,624</u>	<u>149,624</u>	<u>116,257</u>	<u>33,367</u>
 <u>Capital Outlay:</u>				
Land, Furniture, Fixtures and Equipment	<u>63,100</u>	<u>63,100</u>	<u>207,798</u>	<u>(144,698)</u>
Total Capital Outlay	<u>63,100</u>	<u>63,100</u>	<u>207,798</u>	<u>(144,698)</u>
 <u>Debt Service:</u>				
Principal	-	-	232,104	(232,104)
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>3,444</u>	<u>(3,444)</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>235,548</u>	<u>(235,548)</u>
Total Expenditures	<u>3,386,535</u>	<u>3,394,535</u>	<u>3,824,850</u>	<u>(430,315)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	180,911	180,911
 <u>Other Financing Sources (Uses):</u>				
Transfer from other funds	-	-	15,584	15,584
Capital Lease Proceeds	-	-	62,357	62,357
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>266</u>	<u>266</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>78,207</u>	<u>78,207</u>
 <u>Net Change in Fund Balance</u>	 <u>-</u>	 <u>-</u>	 <u>259,118</u>	 <u>259,118</u>
Fund Balance -beginning of the year			<u>1,299,235</u>	
FUND BALANCE - end of year			<u>\$1,558,353</u>	

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingstree's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

<u>Year Ended June 30,</u>	<u>Net Pension Liability percentage</u>	<u>Share of Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Share of the Net Pension Liability as a Percentage of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
South Carolina Retirement System					
2014	0.01264%	2,266,986	1,120,870	202.25%	56.39%
2015	0.01264%	2,176,017	1,147,457	189.64%	59.92%
2016	0.01200%	2,275,858	904,800	251.53%	57.00%
2017	0.01084%	2,314,767	1,022,785	226.32%	52.90%
2018	0.01014%	2,282,002	832,556	274.10%	53.30%
South Carolina Police Retirement System					
2014	0.07097%	1,471,168	803,082	183.19%	62.98%
2015	0.07097%	1,385,650	852,153	162.61%	67.55%
2016	0.07238%	1,577,519	779,449	202.39%	64.60%
2017	0.07437%	1,886,376	957,613	196.99%	60.40%
2018	0.07012%	1,920,980	832,461	230.76%	60.90%

Note to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only five years of data were available; thus, only five years were presented.

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingtree's Contributions
Last Five Fiscal Years

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Covered Employee Payroll</u>
South Carolina Retirement System					
2014	118,812	118,812	-	1,120,870	10.60%
2015	125,073	125,073	-	1,147,457	10.90%
2016	100,071	100,071	-	904,800	11.06%
2017	118,234	118,234	-	1,022,785	11.56%
2018	112,895	112,895	-	832,556	13.56%
South Carolina Police Retirement System					
2014	103,276	103,276	-	803,082	12.86%
2015	114,274	114,274	-	852,153	13.41%
2016	105,553	105,553	-	779,449	13.54%
2017	134,468	134,468	-	957,613	14.04%
2018	133,543	133,543	-	832,461	16.04%

Note to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only five years of data were available; thus, only five years were presented.

COMBINING STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

**TOWN OF KINGSTREE SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmenta Funds</u>
	<u>Federal Equitable Sharing Fund</u>	<u>Storm Fund</u>	<u>Police Narcotics Fund</u>	<u>Victims Advocate Fund</u>	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 11,040	\$ -	\$ 20,243	\$ -	\$ 31,283
Due from Other Governments	-	750	-	-	750
Cash and Cash Equivalents - Restricted	-	-	-	30,782	30,782
Total Assets	<u>\$ 11,040</u>	<u>\$ 750</u>	<u>\$ 20,243</u>	<u>\$ 30,782</u>	<u>\$ 62,815</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due To Other Funds	\$ -	\$ 750	\$ -	\$ 754	\$ 1,504
Due to Third Parties	-	-	2,043	-	2,043
Total Liabilities	<u>-</u>	<u>750</u>	<u>2,043</u>	<u>754</u>	<u>3,547</u>
Fund Balances:					
Restricted	11,040	-	-	30,028	41,068
Committed to Special Revenue Projects/Programs	-	-	18,200	-	18,200
Total Fund Balance	<u>11,040</u>	<u>-</u>	<u>18,200</u>	<u>30,028</u>	<u>59,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,040</u>	<u>\$ 750</u>	<u>\$ 20,243</u>	<u>\$ 30,782</u>	<u>\$ 62,815</u>

TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Federal Equitable Sharing Fund	Storm Fund	Police Narcotics Fund	Victims Advocate Fund	Total Nonmajor Governmental Funds
Revenues					
Property and Local Option Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	23,910	-	-	23,910
Interest Earned	-	-	13	-	13
Other Revenue	-	-	9,743	5,161	14,904
Total Revenues	-	23,910	9,756	5,161	38,827
Expenditures					
Current:					
Public Safety	-	-	962	10,247	11,209
Public Works	279	-	-	-	279
Total Expenditures	279	-	962	10,247	11,488
Excess of (deficiency) of revenues over (under) expenditures	(279)	23,910	8,794	(5,086)	27,339
Other financing sources					
Transfer (to) from General Fund	-	(15,584)	-	-	(15,584)
Total other financing sources	-	(15,584)	-	-	(15,584)
Net change in fund balance	(279)	8,326	8,794	(5,086)	11,755
Fund Balances, beginning of year	11,319	(8,326)	9,406	35,114	47,513
Fund Balances, end of year	\$ 11,040	\$ -	\$ 18,200	\$ 30,028	\$ 59,268

Water and Sewer Fund
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018

	<u>ACTUAL</u>	<u>ORIGINAL/ FINAL BUDGET</u>	<u>VARIANCE WITH BUDGET</u>
<u>OPERATING REVENUES</u>			
Charges for Services - Water	\$ 1,505,850	\$ 1,416,500	\$ 89,350
Charges for Services - Sewer	<u>1,576,054</u>	<u>1,437,136</u>	<u>138,918</u>
Total Operating Revenues	3,081,904	2,853,636	228,268
<u>OPERATING EXPENSES</u>			
<u>Water Department</u>			
Salaries	514,588	549,477	34,889
Fringe Benefits	136,926	141,026	4,100
Workers Compensation	5,258	3,870	(1,388)
Utilities	62,382	80,000	17,618
Communication	22,725	26,000	3,275
Bad Debt	71	-	(71)
Repairs and Maintenance	26,205	60,000	33,795
Dues and Subscriptions	1,320	1,000	(320)
Insurance	56,334	69,904	13,570
Travel/Training	8,735	10,000	1,265
Special Contracts	406,066	375,920	(30,146)
Materials and Printing	87,937	97,500	9,563
Safety	622	2,000	1,378
Miscellaneous	-	2,500	2,500
Uniform	2,120	5,000	2,880
Contingency	-	6,861	6,861
Vehicle Operation and Maintenance	31,419	25,000	(6,419)
Depreciation and Amortization	<u>372,938</u>	<u>116,000</u>	<u>(256,938)</u>
Total Water Department	1,735,646	1,572,058	(163,588)
<u>Sewer Department</u>			
Salaries	161,594	176,119	14,525
Fringe Benefits	69,559	37,715	(31,844)
Workers Compensation	4,497	5,544	1,047

See independent auditor's report

Water and Sewer Fund
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
Year Ended June 30, 2018

	<u>ACTUAL</u>	<u>ORIGINAL/ FINAL BUDGET</u>	<u>VARIANCE WITH BUDGET</u>
Utilities	\$ 166,732	\$ 150,000	\$ (16,732)
Communication	5,382	5,500	118
Repairs and Maintenance	182,796	60,000	(122,796)
Dues and Subscriptions	150	300	150
Insurance	20,614	24,315	3,701
Bad Debt	47	-	(47)
Travel/Training	2,767	4,500	1,733
Materials	59,188	60,000	812
Special Contracts	133,642	70,000	(63,642)
Miscellaneous	295	1,900	1,605
Safety	360	800	440
Depreciation	248,625	7,500	(241,125)
Vehicle O and M	14,954	11,000	(3,954)
Uniform	2,110	2,800	690
Total Sewer Department	<u>1,073,312</u>	<u>617,993</u>	<u>(455,319)</u>
Total Expenses	<u>2,808,958</u>	<u>2,190,051</u>	<u>(618,907)</u>
<u>Operating Income (Loss)</u>	272,946	663,585	(564,767)
Nonoperating Revenue (Expenses):			
Interest Income	2,634	2,000	800
Interest Expense - Water	(225,629)	(259,545)	18,303
Interest Expense - Sewer	(80,160)	(102,771)	25,327
Government Revenue	305,297	-	831,877
Other Revenue - Water	11,001	2,000	1
Total Nonoperating Revenue (Expenses)	<u>13,143</u>	<u>(358,316)</u>	<u>876,308</u>
<u>Changes in Net Position</u>	286,089	<u>\$ 305,269</u>	<u>\$ 311,541</u>
Net Position- beginning of the year	<u>4,862,352</u>		
Net Position - end of the year	<u>\$ 5,148,441</u>		

See independent auditor's report

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Fines, Assessments and Surcharges
Special Revenue - Victims Fund
Year Ended June 30, 2018

Court Fines, Assessments and Surcharges

Court assessments collected	\$	33,367
Court surcharges collected		16,887
Total Court fines, Assessments and Surcharges collected	\$	50,254
Total Court fines, Assessments and Surcharges Remitted to State		45,093

Retained by the Town

\$ 5,161

Victims Services

Victim's Assistance Funds Collected	\$	5,161
Victim's Assistance Funds Expended		(10,247)
Transfer from General Fund		754

Change in Victim's Assistance Funds (4,332)

Funds available, beginning of year

35,114

Funds available, end of year

\$ 30,782

COMPLIANCE SECTION

Samantha A. Salisbury, CPA

1606 Scarlet Oaks Ct
Moncks Corner, SC 29461
843-860-4126
Fax: 843-576-5408
Email: ssalisburycpa@gmail.com

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

To the Members of Town Council
Town of Kingstree
Kingstree, South Carolina

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kingstree, South Carolina (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kingstree, South Carolina's basic financial statements, and have issued my report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider, 2018-1 and 2018-2, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did identify deficiencies; 2018-1 and 2018-2, in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I believe that all of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kingstree, South Carolina's financial statements are free from material misstatement, I 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Kingstree, South Carolina's Response to Findings

The Town of Kingstree, South Carolina's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Town of Kingstree, South Carolina's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town of Kingstree, South Carolina'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 of Kingstree, South Carolina's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Samantha Salisbury

Samantha A. Salisbury, CPA
September 20, 2018

TOWN OF KINGSTREE
SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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FINANCIAL STATEMENT FINDINGS

There are no new current year findings to report. Previous findings as noted below remain significant deficiency in internal control over financial reporting for the year ended June 30, 2018.

2018-1. Financial Statements prepared using Accounting Principles Generally Accepted in the United States of America (GAAP).

Condition: The Town's management does not have policies, procedures or resources in place to provide training to personnel responsible for the financial statement preparation to obtain continuous training in current GAAP.

Criteria: Effective internal control over financial reporting should include control activities developed and maintained to support personnel responsible for the production of financial statements prepared using GAAP.

Effect: Material disclosures and classifications are not prevented or detected prior to the end of the year.

Recommendation: Management should continue to evaluate the current control activities and determine the cost/benefit to the organization to provide additional training.

Views of Responsible Officials and Planned Corrective Actions: Management continues to evaluate the cost effectiveness of this condition. This will remain a significant deficiency for the current reporting year.

2018-2. Financial Policy and Procedures

Condition: The Town needs to develop a comprehensive financial policy and procedures manual to define the role and responsibility of its staff and use available resources to manage the town's activities and utilize internal controls to support the Town's financial reporting system.

Criteria: Effective internal control over financial reporting should include control activities, policies and procedures that ensure all transactions are entered and accounted in the financial reporting system.

Effect: Material disclosures and classifications are not prevented or detected prior to the end of the year.

Recommendation: Management should develop policies and procedures to ensure that all transactions are recorded on a monthly basis and reconciled to the general ledger.

Views of Responsible Officials and Planned Corrective Actions: Management concurs and has worked to develop a manual. Each department is working to prepare a policy and procedures manual to be used in case of their absence or for new personnel.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

1. Financial Statements prepared using Accounting Principles Generally Accepted in the United States of America (GAAP).

Condition: The Town's management does not have policies, procedures or resources in place to provide training to personnel responsible for the financial statement preparation to obtain continuous training in current GAAP.

Criteria: Effective internal control over financial reporting should include control activities developed and maintained to support personnel responsible for the production of financial statements prepared using GAAP.

Current Year Status: Management continues to evaluate the cost effectiveness of this condition. This will remain a significant deficiency for the current reporting year.

2. Financial Policy and Procedures

Condition: The Town needs to develop a comprehensive financial policy and procedures manual to define the role and responsibility of its staff and use available resources to manage the town's activities and utilize internal controls to support the Town's financial reporting system.

Criteria: Effective internal control over financial reporting should include control activities, policies and procedures that ensure all transactions are entered and accounted for in the financial reporting system.

Effect: Material disclosures and classifications are not prevented or detected prior to the end of the year.

Current Year Status: Management is training personnel on the procedures necessary to maintain a proper and useful general ledger. This will remain a significant deficiency for the current reporting year.

COMPLIANCE FINDINGS

None noted in prior year.