

**TOWN OF KINGSTREE
SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2019**

**TOWN OF KINGSTREE
SOUTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2019**

TABLE OF CONTENTS

PAGE

I. FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
A. MANAGEMENT DISCUSSION AND ANALYSIS (required supplemental information)	I - VI
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Fiduciary Fund Financial Statements	
Statement of Net Position - Agency Fund	12
Notes to Financial Statements	13 - 35
C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
Budgetary Comparison Schedule - General Fund	36 - 41
Schedule of the Proportionate Share of the Net Pension Liability - SCRS and PORS	42
Schedule of Contributions - SCRS and PORS	43
D. COMBINING STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION	
Non-Major Governmental Funds- Combining Balance Sheet	44
Non-Major Governmental Funds- Combining Statement of Revenues, Expenditures and Changes in Fund Balance	45
Water and Sewer Fund - Statement of Revenues, Expenses and Changes in Net Position Budget and Actual	46 - 47
Schedule of Fines, Assessments and Surcharges - Victims Fund	48
E. COMPLIANCE	
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 <i>Government Auditing Standards</i>	49 - 50
Schedule of Findings and Questioned Costs	51
Schedule of Prior Year Findings and Questioned Costs	52

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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, 2019, 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, 2019, 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 23, 2019 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 A. Salisbury, CPA
September 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
(required supplementary information)

TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

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, 2019

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 \$9,813,057 in 2019 and \$10,072,562 in 2018. The following table provides a summary of the Town's net position as of June 30, 2019 and 2018:

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
<u>ASSETS, DEFERRED OUTFLOW</u>						
Current and Other Assets	\$ 3,611,865	\$ 3,424,751	\$ 2,344,916	\$ 2,312,775	\$ 5,956,781	\$ 5,737,526
Capital Assets, Net	4,877,689	4,646,035	15,285,927	15,670,890	20,163,616	20,316,925
Deferred Outflows	428,128	476,341	218,834	298,571	646,962	774,912
	<u>8,917,682</u>	<u>8,547,127</u>	<u>17,849,677</u>	<u>18,282,236</u>	<u>26,767,359</u>	<u>26,829,363</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET ASSETS</u>						
Liabilities :						
Other Liabilities	2,796,046	2,737,689	1,665,889	1,772,710	4,461,935	4,510,399
Noncurrent Liabilities	209,480	93,178	11,132,492	11,315,589	11,341,972	11,408,767
Deferred Inflows	1,038,125	792,139	115,271	45,496	1,153,396	837,635
	<u>4,043,651</u>	<u>3,623,006</u>	<u>12,913,652</u>	<u>13,133,795</u>	<u>19,089,351</u>	<u>16,957,709</u>
<u>NET POSITION</u>						
Invested in Capital Assets,						
Net of Related Debt	4,739,348	4,612,502	21,450	21,450	4,760,798	4,633,952
Nonspendable	3,032	83,352	4,215,619	4,423,941	4,218,651	4,507,293
Restricted	851,961	830,424	473,594	295,008	1,325,555	1,125,432
Unrestricted	(720,310)	(602,157)	228,363	408,042	(491,947)	(194,115)
Total Net Assets	<u>\$ 4,874,031</u>	<u>\$ 4,924,121</u>	<u>\$ 4,939,026</u>	<u>\$ 5,148,441</u>	<u>\$ 9,813,057</u>	<u>\$ 10,072,562</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 91.3% 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 decreased the Town's net position by \$50,090. This decrease was due primarily the increase in general government expenses, public works expense and decrease in local option sales tax revenue.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Business-Type Activities

Business-type activities decreased the Town's net position by \$212,415. This decrease was due, primarily to the decrease in capital grants and contributions and well as increase in expenses in the current year.

Capital Assets and Debt Administration for Government-Wide Activities

As of June 30, 2019, the Town had invested \$20,163,616 (net of accumulated depreciation) in capital assets. Total depreciation expense for the year was \$985,121. The following schedule presents capital asset balances net of accumulated depreciation for the fiscal year ended June 30, 2019;

	Amount
Land	\$ 1,755,722
Buildings and improvements	2,492,498
Equipment and Vehicles	1,120,607
Water and Sewer System	<u>14,794,789</u>
Total	<u>\$ 20,163,616</u>

Debt Administration: The following table presents a summary of the Town's outstanding long-term debt for the fiscal year ended June 30, 2019.

	Amount
Capital Lease Payable	\$ 138,341
Note Payable	\$ 62,262
Revenue Bond Payable	<u>11,008,047</u>
Total	<u>\$ 11,208,650</u>

Change in Net Position

The Town's combined governmental and business-type activities include total revenues for the fiscal year ended June 30, 2019 in the amount of \$7,860,171. The total expenses of all governmental and business-type activities were \$8,122,676 leaving an decrease in net position of \$262,505.

The following table presents a summary of the activity that resulted in changes to total net position for the fiscal years June 30, 2019 and 2018;

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,064,205	\$ 2,137,655	\$ 3,097,009	\$ 3,081,904	\$ 5,161,214	\$ 5,219,559
Operating Grants and Contributions	635,838	197,787	-	-	635,838	197,787
Capital Grants and Contributions	85,653	99,900	133,466	305,297	219,119	405,197
General Revenues:						
Taxes						
Property Taxes, levied for general purpose	1,160,110	1,132,744	-	-	1,160,110	1,132,744
Local Option Sales Tax	627,579	800,273	-	-	627,579	800,273
Other Tax	19,095	19,095	-	-	19,095	19,095
Other	30,620	18,648	6,596	13,635	37,216	32,283
Total Revenues	<u>4,623,100</u>	<u>4,406,102</u>	<u>3,237,071</u>	<u>3,400,836</u>	<u>7,860,171</u>	<u>7,806,938</u>
Expenses:						
Governmental Activities						
General Government	1,226,002	493,919	-	-	1,226,002	493,919
Public Safety	1,828,036	1,804,600	-	-	1,828,036	1,804,600
Public Works	928,641	654,227	-	-	928,641	654,227
Culture and Recreation	558,075	469,207	-	-	558,075	469,207
Health and Welfare	132,436	116,257	-	-	132,436	116,257
Business-type Activities						
Water and Sewer Utilities	-	-	3,449,486	3,114,747	3,449,486	3,114,747
Total Expenses	<u>4,673,190</u>	<u>3,538,210</u>	<u>3,449,486</u>	<u>3,114,747</u>	<u>8,122,676</u>	<u>6,652,957</u>
Decrease in Net Position	(50,090)	867,892	(212,415)	286,089	(262,505)	1,153,981
Beginning Net Position, restated	<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>
Ending Net Position	<u>\$ 4,874,031</u>	<u>\$ 4,924,121</u>	<u>\$ 4,936,026</u>	<u>\$ 5,148,441</u>	<u>\$ 9,810,057</u>	<u>\$ 10,072,562</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, 2019, the Town's governmental funds reported a fund balance of \$2,356,610. 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, 2019, the Town's unassigned fund balance for the governmental fund was \$1,483,416, all of which comes from the General Fund.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 \$4,034,631. Total expenditures were \$4,166,424, and other financing sources proceeds of \$135,429, leaving a net increase in fund balance of \$3,636.

The following summarizes expenses within major categories:

	Amount
General Government	\$ 821,110
Public Safety	1,668,019
Public Works	895,935
Culture and Recreation	326,032
Health and Welfare	132,436
Capital Outlay	284,150
Debt Service	<u>38,742</u>
Total	<u>\$ 4,166,424</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 2018 meeting. During the course of the 2019 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 \$3,508,426 in General Fund Revenue with actual revenue totaling \$4,034,631 for a difference of \$526,205. The budget for expenditures was estimated to be \$3,508,426 with the expenditures being \$4,166,424 for a difference of \$657,998.

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, 2019

Page 3

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,813,079	\$ 1,886,439	\$ 3,699,518
Accounts Receivable (Net)	70,873	464,582	535,455
Property Taxes Receivable (Net)	959,747	-	959,747
Prepaid Expenses	3,032	-	3,032
Inventory	-	21,450	21,450
Due from Other Governments	236,513	-	236,513
Due from Other Funds- Current	501,149	(501,149)	-
Restricted Cash	27,472	473,594	501,066
Capital Assets, Net of Accumulated Depreciation:			
Land, non-depreciable	1,610,722	145,000	1,755,722
Buildings and Improvements	2,254,026	238,472	2,492,498
Equipment and Vehicles	1,012,941	107,666	1,120,607
Water and Sewer System	-	14,794,789	14,794,789
Total Capital Assets, Net of Accumulated Depreciation:	4,877,689	15,285,927	20,163,616
Total Assets	8,489,554	17,630,843	26,120,397
Deferred Outflow of Resources:			
Deferred outflow on pension	428,128	218,834	646,962
Total Deferred Outflow of Resources	428,128	218,834	646,962
Liabilities:			
Accounts Payable	132,603	111	132,714
Accrued Expenses	41,062	-	41,062
Due to Third Parties	7,215	-	7,215
Interest Payable	-	16,577	16,577
Pension Liability	2,472,040	1,648,026	4,120,066
Unearned Revenue	143,126	1,175	144,301
Noncurrent Liabilities:			
Due within one year:	51,119	257,602	308,721
Due in more than one year:	158,361	10,874,890	11,033,251
Total Liabilities	3,005,526	12,798,381	15,803,907
Deferred Inflows of Resources:			
Deferred inflow on pension	172,906	115,271	288,177
Unavailable revenue	865,219	-	865,219
Total Deferred Inflows of Resources	1,038,125	115,271	1,153,396
Net Position:			
Nonspendable	3,032	21,450	24,482
Invested in Capital Assets, Net of Related Debt	4,739,348	4,215,619	8,954,967
Restricted for Victim's Fund	27,743	-	27,743
Restricted for Accomodations and Hospitality	813,177	-	813,177
Restricted for Law Enforcement	11,041	-	11,041
Restricted for Debt Service	-	473,594	473,594
Unrestricted	(720,310)	228,363	(491,947)
Total Net Position	\$ 4,874,031	\$ 4,939,026	\$ 9,813,057

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, 2019**

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	\$ 1,226,002	\$ 1,268,828	\$ 615,851	\$ -	\$ 658,677	\$ -	\$ 658,677
Public Safety	1,828,036	71,559	-	40,611	(1,715,866)	-	(1,715,866)
Public Works	928,641	618,331	-	45,042	(265,268)	-	(265,268)
Culture and Recreation	558,075	58,881	19,987	-	(479,207)	-	(479,207)
Health and Welfare	132,436	46,606	-	-	(85,830)	-	(85,830)
Total governmental activities	4,673,190	2,064,205	635,838	85,653	(1,887,494)	-	(1,887,494)
Business-type Activities							
Water and Sewer Utilities	3,449,486	3,097,009	-	133,466	-	(219,011)	(219,011)
Total business-type activities	3,449,486	3,097,009	-	133,466	-	(219,011)	(219,011)
Total primary government	\$ 8,122,676	\$ 5,161,214	\$ 635,838	\$ 219,119	(1,887,494)	(219,011)	(2,106,505)
General Revenues:							
Taxes							
Property taxes, levied for general purpose					1,160,110	-	1,160,110
Local Option Sales Tax					627,579	-	627,579
Merchant Inventory Tax					19,095	-	19,095
Unrestricted Investment Earnings					21	3,276	3,297
Gain on sale of capital assets					10,026		
Miscellaneous					20,573	3,320	23,893
Total General Revenues					1,837,404	6,596	1,833,974
Change in Net Position					(50,090)	(212,415)	(262,505)
Net Position - Beginning					4,924,121	5,148,441	10,072,562
Net Position - Ending					\$ 4,874,031	\$ 4,936,026	\$ 9,810,057

TOWN OF KINGSTREE SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Accommodations & Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 850,916	\$ 925,706	\$ 36,457	\$ 1,813,079
Accounts Receivable (Net)	44,435	26,438	-	70,873
Property Taxes Receivable (Net)	959,747	-	-	959,747
Due from Other Governments	210,533	25,980	-	236,513
Due from Other Funds	526,586	-	271	526,857
Prepaid Expense	78,570	357	-	78,927
Cash and Cash Equivalents- Restricted	-	-	27,472	27,472
Total Assets	\$ 2,670,787	\$ 978,481	\$ 64,200	\$ 3,713,468
Liabilities:				
Accounts Payable	\$ 126,097	\$ 6,506	\$ -	\$ 132,603
Accrued Expenditures	41,061	-	-	41,061
Due to Third Parties	-	-	7,215	7,215
Due to Other Funds	-	25,708	-	25,708
Unearned Revenue	10,393	132,733	-	143,126
Total Liabilities	177,551	164,947	7,215	349,713
Deferred inflows of resources				
Unavailable revenue	931,249	-	-	931,249
Total Deferred Inflows of Resources	931,249	-	-	931,249
Fund Balances:				
Nonspendable	78,570	357	-	78,927
Restricted	-	813,177	38,784	851,961
Committed	-	-	18,201	18,201
Unassigned	1,483,417	-	-	1,483,417
Total Fund Balance	1,561,987	813,534	56,985	2,432,506
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,670,787	\$ 978,481	\$ 64,200	\$ 3,713,468

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, 2019

Fund Balance- Total Governmental Fund		\$ 2,432,506
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financing resources and therefore are not reported in the governmental fund:		
Governmental Capital Assets	\$ 8,640,227	
Less Accumulated Depreciation	<u>(3,762,538)</u>	4,877,689
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.		
Property taxes		66,030
Net pension deferrals		179,326
Long-term liabilities are not due and payable in the current period are therefore are not reported in the governmental fund.		
Net Pension Liability	(2,472,040)	
Capital lease	(138,341)	
Compensated Absences	<u>(71,139)</u>	(2,681,520)
		\$ 4,874,031
Net Position of Governmental Activities		<u><u>\$ 4,874,031</u></u>

TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$ 1,505,753	\$ 304,140	\$ -	\$ 1,809,893
Intergovernmental Revenue	521,504	199,987	-	721,491
Charges for Services	2,005,324	58,881	-	2,064,205
Interest Earned	-	-	21	21
Other Revenue	2,050	7,839	10,724	20,613
Total Revenues	<u>4,034,631</u>	<u>570,847</u>	<u>10,745</u>	<u>4,616,223</u>
Expenditures				
Current:				
General Government	821,110	-	-	821,110
Public Safety	1,668,019	-	13,028	1,681,047
Public Works	895,935	-	-	895,935
Culture and Recreation	326,032	222,728	-	548,760
Health and Welfare	132,436	-	-	132,436
Capital Outlay	284,150	310,995	-	595,145
Debt Service				
Principal	32,511	-	-	32,511
Interest and fiscal charges	6,231	-	-	6,231
Total Expenditures	<u>4,166,424</u>	<u>533,723</u>	<u>13,028</u>	<u>4,713,175</u>
Excess of revenues over expenditures	<u>(131,793)</u>	<u>37,124</u>	<u>(2,283)</u>	<u>(96,952)</u>
Other financing sources				
Capital Proceeds	125,403	-	-	125,403
Proceeds From Sale of Capital Assets	10,026	-	-	10,026
Total other financing sources	<u>135,429</u>	<u>-</u>	<u>-</u>	<u>135,429</u>
Net change in fund balance	3,636	37,124	(2,283)	38,477
Fund Balances, beginning of year	1,558,351	776,410	59,268	2,394,029
Fund Balances, end of year	<u><u>\$ 1,561,987</u></u>	<u><u>\$ 813,534</u></u>	<u><u>\$ 56,985</u></u>	<u><u>\$ 2,432,506</u></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, 2019

Net Change in Fund Balance - Total Governmental Fund **\$ 38,477**

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	\$ 595,145	
Less current year depreciation	<u>(363,491)</u>	231,654

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. (3,109)

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) (212,726)

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		32,511
Debt proceeds		(125,403)
Compensated absences		<u>(11,494)</u>

Change in Net Position of Governmental Activities **\$ (50,090)**

TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds		
	Water and Sewer	Town of Kingtree Development Corporation	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,880,219	\$ 6,220	\$ 1,886,439
Accounts Receivable, net	464,582	-	464,582
Inventory	21,450	-	21,450
Total Current Assets	2,366,251	6,220	2,372,471
Non-Current Assets:			
Cash and Cash Equivalents- Restricted	473,594	-	473,594
Capital Assets:			
Land	145,000	-	145,000
Building and Improvements	906,680	65,000	971,680
Vehicles and Equipment	521,579	-	521,579
Water and Sewer System	24,891,554	-	24,891,554
Accumulated Depreciation	(11,242,938)	(948)	(11,243,886)
Total Capital Assets	15,221,875	64,052	15,285,927
Total Non-Current Assets	15,695,469	64,052	15,759,521
Total Assets	18,061,720	70,272	18,131,992
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Outflow of Resources:			
Deferred outflow on pension	218,834	-	218,834
Total Deferred Outflow of Resources	218,834	-	218,834
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	-	111	111
Accrued Interest Payable	16,577	-	16,577
Deposits	-	1,175	1,175
Due to Other Funds	501,148	-	501,148
Current Portion - Compensated Absences	6,218	-	6,218
Current Portion - Bonds Payable/Notes Payable	245,743	5,641	251,384
Total Current Liabilities	769,686	6,927	776,613
Non-Current Liabilities:			
Compensated Absences	55,966	-	55,966
Bonds Payable/Notes Payable	10,762,303	56,621	10,818,924
Net Pension Liability	1,648,026	-	1,648,026
Total Non-Current Liabilities	12,466,295	56,621	12,522,916
Total Liabilities	13,235,981	63,548	13,299,529
<u>DEFERRED INFLOW OF RESOURCES</u>			
Deferred Inflow of Resources:			
Deferred inflow on pension	115,271	-	115,271
Total Deferred Inflow of Resources	115,271	-	115,271
<u>NET POSITION</u>			
Invested in Capital Assets, net of related debt	4,213,829	1,790	4,215,619
Restricted for debt service-expendable	473,594	-	473,594
Unrestricted	241,879	4,934	246,813
Total Net Position	\$ 4,929,302	\$ 6,724	\$ 4,936,026

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, 2019

	Business-Type Activities Enterprise Funds		
	Water and Sewer	Town of Kingstree Development Corporation	Total
OPERATING REVENUES:			
Charges for Services	\$ 3,082,834	\$ 14,175	\$ 3,097,009
Total Operating Revenues	3,082,834	14,175	3,097,009
OPERATING EXPENSES:			
Personnel services	1,110,005	-	1,110,005
Contractual Services	539,665	1,250	540,915
Materials and Supplies	197,732	131	197,863
Travel and Training	11,735	-	11,735
Utilities	278,558	-	278,558
Repairs and Maintenance	294,681	244	294,925
Bad Debt	36,894	-	36,894
Miscellaneous	3,562	3,750	7,312
Depreciation and Amortization Expense	620,682	948	621,630
Total Operating Expenses	3,093,514	6,323	3,099,837
Operating Income	(10,680)	7,852	(2,828)
NONOPERATING REVENUES (EXPENSES):			
Interest Income	3,276	-	3,276
Interest Expense	(348,521)	(1,128)	(349,649)
Intergovernmental Revenue	133,466	-	133,466
Other Revenue	3,320	-	3,320
Total Nonoperating Revenues (Expenses)	(208,459)	(1,128)	(209,587)
Changes in net position	(219,139)	6,724	(212,415)
Total Net Position beginning of the year	5,148,441	-	5,148,441
Total Net Position end of the year	\$ 4,929,302	\$ 6,724	\$ 4,936,026

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, 2019**

	Enterprise Funds		
	Water and Sewer	Town of Kingstree Development Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 2,961,518	\$ 15,350	\$ 2,976,868
Payments to employees and suppliers for services	(2,286,541)	(5,265)	(2,291,806)
Net cash provide by (used in) operating activities	674,977	10,085	685,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Nonoperating other revenue (expense)	112,643	-	112,643
Net cash provide by (used in) noncapital financing activities	112,643	-	112,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds on long term debt	-	65,000	65,000
Principal paid on long term debt	(238,903)	(2,737)	(241,640)
Interest paid	(362,316)	(1,128)	(363,444)
Net cash provided by (used in) capital and related financing activities	(601,219)	61,135	(540,084)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of capital assets	(109,586)	(65,000)	(174,586)
Interest received	3,276	-	3,276
Net cash received from (used by) investing activities	(106,310)	(65,000)	(171,310)
Net increase (decrease) in cash and cash equivalents	80,091	6,220	86,311
Cash and cash equivalents, beginning of year	2,273,722	-	2,273,722
Cash and cash equivalents, end of year	\$ 2,353,813	\$ 6,220	\$ 2,360,033
Financial Statement Presentation:			
Cash and Cash Equivalents	\$ 1,880,219	\$ 6,220	\$ 1,886,439
Cash and Cash Equivalents- Restricted	473,594	-	473,594
	\$ 2,353,813	\$ 6,220	\$ 2,360,033
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:			
Operating Income (loss)	\$ (10,680)	\$ 7,852	\$ (2,828)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation and Amortization	620,682	948	621,630
Changes in assets and liabilities:			
(Increase) Decrease in Receivables	(121,316)	-	(121,316)
(Increase) Decrease in Due from/to Other Funds	151,342	-	151,342
Increase (Decrease) in Pension Obligation	116,345	-	116,345
Increase (Decrease) in Accrued Expenses	1	-	1
Increase (Decrease) in Accounts Payable	(74,941)	110	(74,831)
Increase (Decrease) in Deposits	-	1,175	1,175
Increase (Decrease) in Compensated Absences	(6,456)	-	(6,456)
Total adjustments	685,657	2,233	687,890
Net cash provided by (used in) operating activities	\$ 674,977	\$ 10,085	\$ 685,062

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

**TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 12,953
Total Assets	\$ <u>12,953</u>
<u>LIABILITIES</u>	
Liabilities:	
Due to Others	\$ 12,953
Total Liabilities	\$ <u>12,953</u>

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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 of the Town of Kingstree's staff consisting of the Town Manager, whom shall be the Executive Director, and two employees nominated by 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 has been reported as a proprietary fund in the financial statements.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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, 2019.

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.

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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 measurable 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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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, 2018, but which were to be levied to finance fiscal year 2019 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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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. Such vacation benefits shall be granted as follows:

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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
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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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, 2019, the Town's bank balances, including agency funds, of \$4,585,520 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the Town's name.

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. As of June 30, 2019, the Town held no investments.

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.

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	\$ 865,219		
Current vehicle taxes	18,485		
Delinquent property taxes	76,043		
Net property tax receivables	\$ 959,747		
Accounts and mortgage receivable	\$ 44,435	\$ 26,438	\$ 487,370
Allowance for uncollectable	-	-	(22,788)
Net receivables	\$ 44,435	\$ 26,438	\$ 464,582
Unearned Revenue			
Recreation fees	\$ 1,300	\$ -	
Public works department projects	2,150	-	
Fire department revenue	4,443	-	
Event/Downtown project deposits	2,500	132,733	
Total Unearned Revenue	\$ 10,393	\$ 132,733	
Deferred Revenue			
Delinquent property taxes not collected within 30 days after year-end	\$ 931,249		
Total Deferred Revenue	\$ 931,249		

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

4-Capital Assets-

Governmental capital asset activity for the year-end June 30, 2019 was as follows:

	Balance 6/30/2018	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2019
Land, not depreciated	\$ 1,205,273	\$ 405,449	\$ -	\$ 1,610,722
Capital assets being depreciated:				
Buildings and improvements	4,365,784	-	-	4,365,784
Equipment	759,544	64,292	-	823,836
Vehicles	1,714,481	125,404	-	1,839,885
Total capital assets	<u>8,045,082</u>	<u>595,145</u>	<u>-</u>	<u>8,640,227</u>
Less accumulated depreciation:				
Buildings and improvements	1,941,856	169,902	-	2,111,758
Equipment	350,790	79,676	-	430,466
Vehicles	1,106,401	113,913	-	1,220,314
Total accumulated depreciation	<u>3,399,047</u>	<u>363,491</u>	<u>-</u>	<u>3,762,538</u>
Total capital assets, net	<u>\$ 4,646,035</u>	<u>\$ 231,654</u>	<u>\$ -</u>	<u>\$ 4,877,689</u>

Business-type Activities capital asset activity for the year-end June 30, 2019 was as follows:

Enterprise

	Balance 6/30/2018	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2019
Land, not depreciated	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress, not depreciated	48,979	139,573	(188,552)	-
Capital assets being depreciated:				
Buildings and improvements	906,680	65,000	-	971,680
Equipment	396,374	32,094	-	428,468
Vehicles	93,111	-	-	93,111
Water & sewer system	24,703,002	188,552	-	24,891,554
Total capital assets	<u>26,293,146</u>	<u>425,219</u>	<u>(188,552)</u>	<u>26,529,813</u>
Less accumulated depreciation:				
Buildings and improvements	713,993	19,215	-	733,208
Equipment	293,566	27,236	-	320,802
Vehicles	86,870	6,241	-	93,111
Water & sewer system	9,527,827	568,938	-	10,096,765
Total accumulated depreciation	<u>10,622,256</u>	<u>621,630</u>	<u>-</u>	<u>11,243,886</u>
Total capital assets, net	<u>\$ 15,670,890</u>	<u>\$ (196,411)</u>	<u>\$ (188,552)</u>	<u>\$ 15,285,927</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

Depreciation expense was charged as follows:

Governmental Activities	
General government	\$ 174,481
Public safety	146,989
Public works	32,706
Culture and recreation	9,315
	<u>\$ 363,491</u>

Business - Type Activities	
Water & sewer fund	<u>\$ 621,630</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.

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General fund	\$ 526,586	\$ -
Special revenue fund - Accomodations	-	25,708
Special revenue fund - Victums	271	-
Enterprise fund - Water & sewer	-	501,149
Total	<u>\$ 526,857</u>	<u>\$ 526,857</u>

6- Long-Term Debt

The following is a summary of debt transactions for the Town for the year ended June 30, 2019:

Governmental Activities	Balance			Balance	Due within
	6/30/2018	Increase	Decrease	6/30/2019	One Year
Compensated absences	\$ 59,645	\$ 17,459	\$ 5,965	\$ 71,139	\$ 7,114
Capital note payable	33,533	125,404	20,596	138,341	44,005
	<u>\$ 93,178</u>	<u>\$ 142,863</u>	<u>\$ 26,561</u>	<u>\$ 209,480</u>	<u>\$ 51,119</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

Business - Type Activities	Balance			Balance		Due within One Year
	6/30/2018	Increase	Decrease	6/30/2019		
Compensated absences	\$ 68,640	\$ 408	\$ 6,864	\$ 62,184	\$ 6,218	
Note payable - KDC	-	65,000	2,738	62,262	5,641	
Revenue bonds	11,246,950	-	238,903	11,008,047	245,743	
	<u>\$ 11,315,590</u>	<u>\$ 65,408</u>	<u>\$ 248,505</u>	<u>\$ 11,132,493</u>	<u>\$ 257,602</u>	

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, 2019 include the following:

Issue Date	Description	Original	Outstanding
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	\$ 155,639
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	2,343,620
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	6,464,494
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	2,044,294
		<u>\$ 14,229,300</u>	<u>\$ 11,008,047</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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

Business - Type Activities

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>
2020	\$ 245,743	\$ 290,106
2021	252,808	283,042
2022	260,108	275,742
2023	267,650	268,199
2024	275,445	260,405
2025 - 2029	1,503,644	1,175,606
2030 - 2034	1,742,270	936,980
2035 - 2039	2,025,299	653,950
2040 - 2044	1,556,618	385,907
2045 - 2049	1,531,053	227,294
2050 - 2053	1,347,409	59,269
	<u>\$ 11,008,047</u>	<u>\$ 4,816,500</u>

Note Payable - The Town of Kingstree Development Corporation entered into a note payable agreement with a financial institution in the amount of \$65,000 with an annual interest rate of 3.5% with monthly payments in the amount of \$644 until December 19, 2023, after which time it may change to a variable interest rate of Index (w/Margin) Wall Street Journal Prime minus 1.75%. Total proceeds were used to purchase a building which has been used as collateral on this note payable.

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)

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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.

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. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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. 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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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

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

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the schedule employee and employer contributions provided in statute, or rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 eighty-five 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 eighty-five percent. 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 eighty-five 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 eighty-five percent.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

The Retirement System Funding and Administration Act 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 period.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2019¹</u>	<u>Fiscal Year 2018¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2019¹</u>	<u>Fiscal Year 2018¹</u>
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the [Systems' financial statements](#). The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 28,631,746,951	\$ 22,406,813,697	\$ 17,956,582,707
PORS	3,819,969,291	2,833,542,426	2,025,575,990

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, 2018 (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, 2018.

The Town of Kingstree Employer's Proportionate Share of the South Carolina Retirement System is .010147%. The Town of Kingstree Employer's Proportionate Share of the South Carolina Police Officers Retirement System is .06517% and is reported on the governmental wide financials in the governmental activities in the amount of \$2,472,040 and the business-type activities in the amount of \$1,648,026.

Deferred Outflows (Inflows) of Resources

At June 30, 2019, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflow of resources
Pension contributions subsequent to measurement date	\$ 315,802	\$ -
Difference in actual and expected experience	60,998	13,379
Change in assumptions	211,952	-
Net difference between projected and actual earnings on plan investments	36,926	-
Change in proportionate share and differences between employer contributions and proportionate share of contributions.	21,284	274,798
	\$ 646,962	\$ 288,177

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2019

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, 2019.

Measurement Period	Fiscal Year	SCRS	PORS
Ending June 30,	Ending June 30,	<u> </u>	<u> </u>
2018	2019	\$ (2,842)	\$ 78,291
2019	2020	16,297	38,212
2020	2021	(39,307)	(32,917)
2021	2022	(5,749)	(9,002)
		<u>\$ (31,601)</u>	<u>\$ 74,584</u>

The Town reported \$315,802 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, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

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, 2019

	<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	\$ 1,365,000	\$ 1,365,000	\$ 1,505,753	\$ 140,753
Intergovernmental Revenues	174,095	174,095	521,504	347,409
Charges for Services	1,967,831	1,967,831	2,005,324	37,493
Other Revenue	1,500	1,500	2,050	550
Total Revenue	<u>3,508,426</u>	<u>3,508,426</u>	<u>4,034,631</u>	<u>526,205</u>
EXPENDITURES				
General Government	512,078	512,312	821,110	(308,798)
Public Safety	1,745,769	1,745,769	1,668,019	77,750
Public Works	755,411	736,177	895,935	(159,758)
Culture and Recreation	276,396	276,396	326,032	(49,636)
Health and Welfare	149,872	149,872	132,436	17,436
Capital Outlay	68,900	87,900	284,150	(196,250)
Debt Service				
Principal	-	-	32,511	(32,511)
Interest	-	-	6,231	(6,231)
Total Expenditures	<u>3,508,426</u>	<u>3,508,426</u>	<u>4,166,424</u>	<u>(657,998)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(131,793)	(131,793)
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	-	-
Proceeds From Capital Lease Proceeds	-	-	125,403	125,403
Proceeds From Sale of Capital Assets	-	-	10,026	10,026
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>135,429</u>	<u>135,429</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	3,636	
Fund Balance - beginning of the year	<u>1,558,351</u>	<u>1,558,351</u>	<u>1,558,351</u>	
Fund Balance -end of year	<u>\$ 1,558,351</u>	<u>\$ 1,558,351</u>	<u>\$ 1,561,987</u>	

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2019**

	<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	\$1,365,000	\$1,365,000	\$1,505,753	\$ 140,753
Intergovernmental Revenue	174,095	174,095	521,504	347,409
Charges for Services	1,967,831	1,967,831	2,005,324	37,493
Other Revenue	<u>1,500</u>	<u>1,500</u>	<u>2,050</u>	<u>550</u>
Total Revenues	<u>3,508,426</u>	<u>3,508,426</u>	<u>4,034,631</u>	<u>526,205</u>
<u>EXPENDITURES</u>				
<u>General Government:</u>				
Salaries	192,326	192,326	186,325	6,001
Fringe Benefits	40,947	40,947	36,504	4,443
Workers Compensation	1,382	1,382	834	548
Utilities	150,000	150,000	162,542	(12,542)
Communication	10,000	10,000	8,927	1,073
Printing	1,500	1,500	2,248	(748)
Repairs and Maintenance	5,000	5,000	2,266	2,734
Dues and Subscriptions	3,000	3,000	1,893	1,107
Insurance	23,100	23,100	21,293	1,807
Travel/Training	10,000	10,000	4,849	5,151
Materials	12,000	12,000	14,754	(2,754)
Grant Projects	-	-	281,907	(281,907)
Contract Services	38,500	38,500	44,422	(5,922)
Depot Project	11,500	11,500	21,786	(10,286)
Miscellaneous	<u>12,823</u>	<u>13,057</u>	<u>30,560</u>	<u>(17,503)</u>
Total General Governmental	<u>512,078</u>	<u>512,312</u>	<u>821,110</u>	<u>(308,798)</u>

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2019**

	<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	\$ 652,962	\$ 652,962	\$ 571,856	\$ 81,106
Fringe Benefits	159,456	159,456	127,181	32,275
Workers Compensation	28,799	28,799	21,115	7,684
Communication	19,000	19,000	18,893	107
Printing	1,250	1,250	3,799	(2,549)
Repairs and Maintenance	5,500	5,500	4,595	905
Dues and Subscriptions	100	100	50	50
Insurance	107,200	107,200	60,727	46,473
Travel/Training	8,000	8,000	2,980	5,020
Materials	18,000	18,000	9,302	8,698
Safety	2,500	2,500	1,040	1,460
Miscellaneous	2,000	2,000	892	1,108
Vehicle O and M	78,000	78,000	104,699	(26,699)
Equipment Capital	-	-	-	-
Uniform	6,000	6,000	22,681	(16,681)
Special Contracts	60,000	60,000	129,555	(69,555)
State Fees	3,500	3,500	6,400	(2,900)
Total Police Department	<u>1,152,267</u>	<u>1,152,267</u>	<u>1,085,765</u>	<u>66,502</u>
<u>Fire Department:</u>				
Salaries	324,767	324,767	338,592	(13,825)
Fringe Benefits	75,350	75,350	73,783	1,567
Workers Compensation	13,735	13,735	8,463	5,272
Communication	17,000	17,000	14,578	2,422
Printing	300	300	-	300
Repairs and Maintenance	11,000	11,000	10,604	396
Travel/Training	4,000	4,000	4,679	(679)
Materials	14,000	14,000	13,581	419

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2019**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Insurance	\$ 46,900	\$ 46,900	\$ 33,500	\$ (13,400)
Special Contracts	50,000	50,000	57,310	(7,310)
Safety	11,000	11,000	6,942	4,058
Uniforms	5,000	5,000	4,365	635
Vehicle O and M	16,000	16,000	12,292	3,708
Miscellaneous	4,450	4,450	3,565	885
	<u>593,502</u>	<u>593,502</u>	<u>582,254</u>	<u>11,248</u>
Total Public Safety	<u>1,745,769</u>	<u>1,745,769</u>	<u>1,668,019</u>	<u>77,750</u>
 <u>Public Works:</u>				
Salaries	219,837	211,055	189,210	21,845
Fringe Benefits	48,707	46,428	38,928	7,500
Workers Compensation	6,286	6,317	3,939	2,378
Communication	2,350	2,500	2,140	360
Dues and Subscriptions	6,000	6,000	5,160	840
Printing	3,750	1,250	622	628
Repairs and Maintenance	5,000	5,000	12,252	(7,252)
Uniform	5,250	5,250	2,989	2,261
Insurance	39,531	33,780	22,407	11,373
Safety	1,000	1,000	820	180
Special Contracts - Trash	351,000	351,000	553,057	(202,057)
Special Contracts	20,750	21,400	20,900	500
Travel/Training	10,400	9,647	9,675	(28)
Vehicle O and M	16,800	16,800	15,492	1,308
Miscellaneous	1,250	1,250	796	454
Materials	17,500	17,500	17,548	(48)
Total Public Works	<u>755,411</u>	<u>736,177</u>	<u>895,935</u>	<u>(159,758)</u>

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2019**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>Culture and Recreation:</u>				
Salaries	\$ 129,119	\$ 129,119	\$ 137,209	\$ (8,090)
Fringe Benefits	25,867	25,867	27,027	(1,160)
Workers Compensation	2,250	2,250	1,429	821
Communication	4,000	4,000	3,476	524
Printing	500	500	-	500
Repairs and Maintenance	15,000	15,000	18,221	(3,221)
Insurance	20,100	20,100	21,055	(955)
Travel/Training	750	750	1,719	(969)
Materials	13,000	13,000	15,606	(2,606)
Safety	360	360	135	225
Special Contracts	10,000	10,000	26,246	(16,246)
Uniforms	750	750	349	401
Miscellaneous	700	700	3,255	(2,555)
Sports expense	49,000	49,000	63,651	(14,651)
Vehicle O and M	5,000	5,000	6,654	(1,654)
Total Culture and Recreation	<u>276,396</u>	<u>276,396</u>	<u>326,032</u>	<u>(49,636)</u>
<u>Health and Welfare:</u>				
Salaries	44,673	44,673	37,067	7,606
Fringe Benefits	10,041	10,041	7,590	2,451
Workers Compensation	618	618	372	246
Communication	2,000	2,000	2,585	(585)
Printing	1,500	1,500	2,207	(707)
Repairs and Maintenance	800	800	1,242	(442)
Dues and Subscriptions	700	700	1,282	(582)
Insurance	6,700	6,700	4,370	2,330
Travel/Training	5,000	5,000	6,048	(1,048)
Materials	1,800	1,800	5,488	(3,688)
Safety	240	240	120	120
Special Contracts	19,000	19,000	35,399	(16,399)

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Building Demolition	\$ 50,000	\$ 50,000	\$ 22,400	\$ 27,600
Miscellaneous	5,300	5,300	5,210	90
Vehicle O and M	1,500	1,500	1,056	444
Total Health and Welfare	<u>149,872</u>	<u>149,872</u>	<u>132,436</u>	<u>17,436</u>
<u>Capital Outlay:</u>				
Land, Furniture, Fixtures and Equipment	<u>68,900</u>	<u>87,900</u>	<u>284,150</u>	<u>(196,250)</u>
Total Capital Outlay	<u>68,900</u>	<u>87,900</u>	<u>284,150</u>	<u>(196,250)</u>
<u>Debt Service:</u>				
Principal	-	-	32,511	(32,511)
Interest and Fiscal Charges	-	-	6,231	(6,231)
Total Debt Service	-	-	<u>38,742</u>	<u>(38,742)</u>
Total Expenditures	<u>3,508,426</u>	<u>3,508,426</u>	<u>4,166,424</u>	<u>(657,998)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(131,793)	(131,793)
<u>Other Financing Sources (Uses):</u>				
Transfer from other funds	-	-	-	-
Capital Lease Proceeds	-	-	125,403	125,403
Proceeds from Sale of Capital Assets	-	-	10,026	10,026
Total Other Financing Sources (Uses)	-	-	<u>135,429</u>	<u>135,429</u>
<u>Net Change in Fund Balance</u>	<u>-</u>	<u>-</u>	<u>3,636</u>	<u>3,636</u>
Fund Balance -beginning of the year			<u>1,558,351</u>	
FUND BALANCE - end of year			<u>\$1,561,987</u>	

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingstree's Proportionate Share of the Net Pension Liability
Last Six 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%
2019	0.01015%	2,273,549	1,105,710	205.62%	54.10%
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%
2019	0.06517%	1,846,517	908,408	203.27%	61.70%

Note to Schedule:

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingtree's Contributions
Last Six 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%
2019	160,991	160,991	-	1,105,710	14.56%
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%
2019	154,811	154,811	-	908,408	17.04%

Note to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only six 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, 2019**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Federal Equitable Sharing Fund	Police Narcotics Fund	Victims Advocate Fund	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 11,041	\$ 25,416	\$ -	\$ 36,457
Due from Other Governments	-	-	-	-
Due from Other Funds	-	-	271	271
Cash and Cash Equivalents - Restricted	-	-	27,472	27,472
Total Assets	\$ 11,041	\$ 25,416	\$ 27,743	\$ 64,200
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-
Due to Third Parties	-	7,215	-	7,215
Total Liabilities	-	7,215	-	7,215
Fund Balances:				
Restricted	11,041	-	27,743	38,784
Committed to Special Revenue Projects/Programs	-	18,201	-	18,201
Total Fund Balance	11,041	18,201	27,743	56,985
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,041	\$ 25,416	\$ 27,743	\$ 64,200

See independent auditor's report

TOWN OF KINGSTREE SOUTH CAROLINA **Page 45**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Federal Equitable Sharing Fund	Police Narcotics Fund	Victims Advocate Fund	Total Nonmajor Governmental Funds
Revenues				
Interest Earned	\$ -	\$ 21	\$ -	\$ 21
Other Revenue	1	-	10,723	10,724
Total Revenues	1	21	10,723	10,745
Expenditures				
Current:				
Public Safety	-	20	13,008	13,028
Capital Outlay				
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	20	13,008	13,028
Excess of (deficiency) of revenues over (under) expenditures	1	1	(2,285)	(2,283)
Other financing sources				
Capital Proceeds	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	1	1	(2,285)	(2,283)
Fund Balances, beginning of year	11,040	18,200	30,028	59,268
Fund Balances, end of year	\$ 11,041	\$ 18,201	\$ 27,743	\$ 56,985

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, 2019

	<u>ACTUAL</u>	<u>ORIGINAL/ FINAL BUDGET</u>	<u>VARIANCE WITH BUDGET</u>
<u>OPERATING REVENUES</u>			
Charges for Services - Water	\$ 1,261,303	\$ 1,323,000	\$ (61,697)
Charges for Services - Sewer	<u>1,821,531</u>	<u>1,671,436</u>	<u>150,095</u>
Total Operating Revenues	3,082,834	2,994,436	88,398
<u>OPERATING EXPENSES</u>			
<u>Water Department</u>			
Salaries	582,773	589,783	7,010
Fringe Benefits	232,105	128,556	(103,549)
Workers Compensation	5,612	10,672	5,060
Utilities	63,311	70,000	6,689
Communication	24,025	25,000	975
Bad Debt	22,380	-	(22,380)
Repairs and Maintenance	82,140	50,000	(32,140)
Dues and Subscriptions	2,212	1,000	(1,212)
Insurance	58,135	86,095	27,960
Travel/Training	6,991	10,000	3,009
Special Contracts	407,725	425,010	17,285
Materials and Printing	158,362	97,500	(60,862)
Safety	690	1,500	810
Miscellaneous	3,354	2,500	(854)
Uniform	3,960	5,000	1,040
Contingency	-	12,965	12,965
Vehicle Operation and Maintenance	29,618	25,000	(4,618)
Depreciation and Amortization	<u>310,341</u>	<u>100,000</u>	<u>(210,341)</u>
Total Water Department	1,993,734	1,640,581	(353,153)
<u>Sewer Department</u>			
Salaries	163,875	178,626	14,751
Fringe Benefits	33,381	39,943	6,562
Workers Compensation	3,450	5,602	2,152

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, 2019

	<u>ACTUAL</u>	<u>ORIGINAL/ FINAL BUDGET</u>	<u>VARIANCE WITH BUDGET</u>
Utilities	\$ 183,662	\$ 150,000	\$ (33,662)
Communication	7,560	5,500	(2,060)
Repairs and Maintenance	175,114	120,000	(55,114)
Dues and Subscriptions	-	300	300
Insurance	21,062	26,800	5,738
Bad Debt	14,514	-	(14,514)
Travel/Training	4,744	4,000	(744)
Materials	39,370	60,000	20,630
Special Contracts	131,940	80,000	(51,940)
Miscellaneous	208	1,900	1,692
Safety	530	500	(30)
Depreciation	310,341	5,000	(305,341)
Vehicle Operation and Maintenance	7,809	10,000	2,191
Uniform	<u>2,220</u>	<u>2,200</u>	<u>(20)</u>
Total Sewer Department	<u>1,099,780</u>	<u>690,371</u>	<u>(409,409)</u>
Total Expenses	<u>3,093,514</u>	<u>2,330,952</u>	<u>(762,562)</u>
<u>Operating Income (Loss)</u>	(10,680)	663,484	(674,164)
Nonoperating Revenue (Expenses):			
Interest Income	3,276	2,000	1,276
Interest Expense - Water	(249,613)	(259,545)	9,932
Interest Expense - Sewer	(98,908)	(102,771)	3,863
Government Revenue	133,466	-	133,466
Other Revenue - Water	<u>3,320</u>	<u>2,100</u>	<u>1,220</u>
Total Nonoperating Revenue (Expenses)	<u>(208,459)</u>	<u>(358,216)</u>	<u>149,757</u>
<u>Changes in Net Position</u>	(219,139)	<u>\$ 305,268</u>	<u>\$ (524,407)</u>
Net Position- beginning of the year	<u>5,148,441</u>		
Net Position - end of the year	<u>\$ 4,929,302</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, 2019

Court Fines, Assessments and Surcharges

Court assessments collected	\$	73,021
Court surcharges collected		<u>32,928</u>
Total Court fines, Assessments and Surcharges collected	\$	105,949
Total Court fines, Assessments and Surcharges Remitted to State		95,351

Retained by the Town	\$	<u>10,598</u>
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Victims Services

Victim's Assistance Funds Collected	\$	10,598
Victim's Assistance Funds Expended		<u>(13,908)</u>
Change in Victim's Assistance Funds		(3,310)

Funds available, beginning of year		<u>30,782</u>
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Funds available, end of year	\$	<u><u>27,472</u></u>
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COMPLIANCE SECTION

Samantha A. Salisbury, CPA

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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, 2019, 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 23, 2019.

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, 2019-1 and 2019-2, 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; 2019-1 and 2019-2, 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 23, 2019

TOWN OF KINGSTREE
SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Page 51

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, 2019.

2019-1. 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.

2019-2. 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, 2019

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.