

**TOWN OF KINGSTREE
SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2020**

**TOWN OF KINGSTREE
SOUTH CAROLINA
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JUNE 30, 2020**

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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

I 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, 2020, 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. I 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 I 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, I 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, 2020, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year 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. 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 15, 2020 on my consideration of the Town of Kingstree's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kingstree, South Carolina's internal control over financial reporting and compliance.

Samantha Salisbury

Samantha A. Salisbury, CPA
September 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(required supplementary information)

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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, 2020**

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 \$13,090,505 in 2020 and \$9,810,057 in 2019. The following table provides a summary of the Town's net position as of June 30, 2020 and 2019:

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
<u>ASSETS, DEFERRED OUTFLOW</u>						
Current and Other Assets	\$ 3,611,797	\$ 3,611,865	\$ 2,438,073	\$ 2,344,917	\$ 6,049,870	\$ 5,956,782
Capital Assets, Net	7,961,318	4,877,689	15,149,837	15,285,927	23,111,155	20,163,616
Deferred Outflows	421,428	428,128	280,952	218,834	702,380	646,962
	<u>11,994,543</u>	<u>8,917,682</u>	<u>17,868,862</u>	<u>17,849,678</u>	<u>29,863,405</u>	<u>26,767,360</u>
<u>LIABILITIES, DEFERRED</u>						
<u>INFLOWS AND NET ASSETS</u>						
Liabilities :						
Other Liabilities	3,205,122	2,796,046	1,757,089	1,665,889	4,962,211	4,461,935
Noncurrent Liabilities	170,497	209,480	10,729,719	11,132,492	10,900,216	11,341,972
Deferred Inflows	842,976	1,038,125	67,497	115,271	910,473	1,153,396
	<u>4,218,595</u>	<u>4,043,651</u>	<u>12,554,305</u>	<u>12,913,652</u>	<u>16,772,900</u>	<u>16,957,303</u>
<u>NET POSITION</u>						
Invested in Capital Assets,						
Net of Related Debt	7,866,982	4,739,348	4,483,869	4,215,619	12,350,851	8,954,967
Nonspendable	43,925	3,032	21,450	21,450	65,375	24,482
Restricted	907,085	851,961	473,594	473,594	1,380,679	1,325,555
Unrestricted	(1,042,044)	(720,310)	335,644	225,363	(706,400)	(494,947)
Total Net Assets	<u>\$ 7,775,948</u>	<u>\$ 4,874,031</u>	<u>\$ 5,314,557</u>	<u>\$ 4,936,026</u>	<u>\$ 13,090,505</u>	<u>\$ 9,810,057</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 94.35% of total net assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

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

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

Governmental Activities

Governmental activities increased the Town's net position by \$2,901,917. This increase was due primarily to the increase in public safety capital asset addition funded by the Town's portion of the Williamsburg County one-percent capital sales tax levy. This is reported as local option sales tax revenue.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Business-Type Activities

Business-type activities increased the Town's net position by \$378,531. This increase was due, primarily to the increase in capital grants and contributions and well as decrease in expenses in the current year.

Capital Assets and Debt Administration for Government-Wide Activities

As of June 30, 2020, the Town had invested \$23,111,155 (net of accumulated depreciation) in capital assets. Total depreciation expense for the year was \$963,426. The following schedule presents capital asset balances net of accumulated depreciation for the fiscal year ended June 30, 2020:

	Amount
Land	\$ 2,062,362
Construction in Progress	3,042,727
Buildings and improvements	2,320,353
Equipment and Vehicles	986,727
Water and Sewer System	<u>14,698,986</u>
Total	<u>\$ 23,111,155</u>

Debt Administration: The following table presents a summary of the Town's outstanding long-term debt for the fiscal year ended June 30, 2020.

	Amount
Capital Lease Payable	\$ 94,336
Note Payable	56,651
Revenue Bond Payable	<u>10,609,317</u>
Total	<u>\$ 10,760,304</u>

Change in Net Position

The Town's combined governmental and business-type activities include total revenues for the fiscal year ended June 30, 2020 in the amount of \$10,800,904. The total expenses of all governmental and business-type activities were \$7,520,456 leaving an increase in net position of \$3,280,448.

The following table presents a summary of the activity that resulted in changes to total net position for the fiscal years June 30, 2020 and 2019:

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,144,095	\$ 2,064,205	\$ 3,120,988	\$ 3,097,009	\$ 5,265,083	\$ 5,161,214
Operating Grants and Contributions	270,981	635,838	-	-	270,981	635,838
Capital Grants and Contributions	285,424	85,653	432,273	133,466	717,697	219,119
General Revenues:						
Taxes						
Property Taxes, levied for general purpose	3,819,143	1,160,110	-	-	3,819,143	1,160,110
Local Option Sales Tax	666,513	627,579	-	-	666,513	627,579
Other Tax	19,176	19,095	-	-	19,176	19,095
Other	35,201	30,620	7,110	6,596	42,311	37,216
Total Revenues	7,240,533	4,623,100	3,560,371	3,237,071	10,800,904	7,860,171
Expenses:						
Governmental Activities						
General Government	715,823	1,226,002	-	-	715,823	1,226,002
Public Safety	1,864,289	1,828,036	-	-	1,864,289	1,828,036
Public Works	1,073,667	928,641	-	-	1,073,667	928,641
Culture and Recreation	532,306	558,075	-	-	532,306	558,075
Health and Welfare	152,531	132,436	-	-	152,531	132,436
Business-type Activities						
Water and Sewer Utilities	-	-	3,172,968	3,442,035	3,172,968	3,442,035
Town of Kingstree Develop. Corp	-	-	8,872	7,451	8,872	7,451
Total Expenses	4,338,616	4,673,190	3,181,840	3,449,486	7,520,456	8,122,676
Decrease in Net Position	2,901,917	(50,090)	378,531	(212,415)	3,280,448	(262,505)
Beginning Net Position	4,874,031	4,924,121	4,936,026	5,148,441	9,810,057	10,072,562
Ending Net Position	\$ 7,775,948	\$ 4,874,031	\$ 5,314,557	\$ 4,936,026	\$ 13,090,505	\$ 9,810,057

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, 2020, the Town's governmental funds reported a fund balance of \$2,180,645. 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, 2020, the Town's unassigned fund balance for the governmental fund was \$1,211,601, all of which comes from the General Fund.

**TOWN OF KINGSTREE, SOUTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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 \$3,922,916. Total expenditures were \$3,931,230, and other financing sources transfer out of \$298,147, leaving a net decrease in fund balance of \$306,461.

The following summarizes expenses within major categories:

	Amount
General Government	\$ 628,442
Public Safety	1,699,926
Public Works	1,039,584
Culture and Recreation	316,347
Health and Welfare	152,531
Capital Outlay	43,583
Debt Service	<u>50,817</u>
Total	<u>\$ 3,931,230</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 2019 meeting. During the course of the 2020 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 \$3,613,884 in General Fund Revenue with actual revenue totaling \$3,922,916 for a difference of \$309,032. The budget for expenditures was estimated to be \$3,613,884 with the expenditures being \$3,931,230 for a difference of \$317,346.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,052,622	\$ 1,802,846	\$ 3,855,468
Accounts Receivable (Net)	80,410	331,787	412,197
Property Taxes Receivable (Net)	866,323	-	866,323
Prepaid Expenses	43,925	-	43,925
Inventory	-	21,450	21,450
Due from Other Governments	342,638	-	342,638
Due from Other Funds- Current	191,604	(191,604)	-
Restricted Cash	34,275	473,594	507,869
Capital Assets, Net of Accumulated Depreciation:			
Land, non-depreciable	1,917,362	145,000	2,062,362
Construction in Progress, non-depreciable	3,042,727	-	3,042,727
Buildings and Improvements	2,101,773	218,580	2,320,353
Equipment and Vehicles	899,456	87,271	986,727
Water and Sewer System	-	14,698,986	14,698,986
Total Capital Assets, Net of Accumulated Depreciation:	7,961,318	15,149,837	23,111,155
Total Assets	11,573,115	17,587,910	29,161,025
Deferred Outflow of Resources:			
Deferred outflow on pension	421,428	280,952	702,380
Total Deferred Outflow of Resources	421,428	280,952	702,380
Liabilities:			
Accounts Payable	504,443	2,306	506,749
Accrued Expenses	34,981	-	34,981
Due to Third Parties	7,214	-	7,214
Interest Payable	-	10,943	10,943
Pension Liability	2,613,998	1,742,665	4,356,663
Unearned Revenue	44,486	1,175	45,661
Noncurrent Liabilities:			
Due within one year:	32,096	265,024	297,120
Due in more than one year:	138,401	10,464,695	10,603,096
Total Liabilities	3,375,619	12,486,808	15,862,427
Deferred Inflows of Resources:			
Deferred inflow on pension	101,245	67,497	168,742
Unavailable revenue	741,731	-	741,731
Total Deferred Inflows of Resources	842,976	67,497	910,473
Net Position:			
Nonspendable	43,925	21,450	65,375
Invested in Capital Assets, Net of Related Debt	7,866,982	4,483,869	12,350,851
Restricted for Victim's Fund	34,275	-	34,275
Restricted for Accommodations and Hospitality	861,768	-	861,768
Restricted for Law Enforcement	11,042	-	11,042
Restricted for Debt Service	-	473,594	473,594
Unrestricted	(1,042,044)	335,644	(706,400)
Total Net Position	\$ 7,775,948	\$ 5,314,557	\$ 13,090,505

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, 2020**

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operation	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities							
General Government	\$ 715,823	\$ 1,310,054	\$ 265,981	\$ 43,583	\$ 903,795	\$ -	\$ 903,795
Public Safety	1,864,289	84,080	-	46,841	(1,733,368)	-	(1,733,368)
Public Works	1,073,667	691,224	-	-	(382,443)	-	(382,443)
Culture and Recreation	532,306	11,865	5,000	195,000	(320,441)	-	(320,441)
Health and Welfare	152,531	46,872	-	-	(105,659)	-	(105,659)
Total governmental activities	4,338,616	2,144,095	270,981	285,424	(1,638,116)	-	(1,638,116)
Business-type Activities							
Water and Sewer Utilities	3,172,968	3,109,250	-	432,273	-	368,555	368,555
Town of Kingstree Development Corporation	8,872	11,738	-	-	-	2,866	2,866
Total business-type activities	3,181,840	3,120,988	-	432,273	-	371,421	371,421
Total primary government	\$ 7,520,456	\$ 5,265,083	\$ 270,981	\$ 717,697	(1,638,116)	371,421	(1,266,695)
General Revenues:							
Taxes							
Property taxes, levied for general purpose					3,819,143	-	3,819,143
Local Option Sales Tax					666,513	-	666,513
Merchant Inventory Tax					19,176	-	19,176
Unrestricted Investment Earnings					31	3,663	3,694
Miscellaneous					35,170	3,447	38,617
Total General Revenues					4,540,033	7,110	4,547,143
Change in Net Position					2,901,917	378,531	3,280,448
Net Position - Beginning					4,874,031	4,936,026	9,810,057
Net Position - Ending					\$ 7,775,948	\$ 5,314,557	\$ 13,090,505

TOWN OF KINGSTREE SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General Fund</u>	<u>Accommodations & Hospitality Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and Cash Equivalents	\$ 1,175,290	\$ 841,042	\$ -	\$ 36,290	\$ 2,052,622
Accounts Receivable (Net)	59,388	21,022	-	-	80,410
Property Taxes Receivable (Net)	866,323	-	-	-	866,323
Due from Other Governments	319,921	22,717	-	-	342,638
Due from Other Funds	191,604	-	219,445	-	411,049
Prepaid Expense	43,925	-	-	-	43,925
Cash and Cash Equivalents- Restricted	-	-	-	34,275	34,275
Total Assets	\$ 2,656,451	\$ 884,781	\$ 219,445	\$ 70,565	\$ 3,831,242
Liabilities:					
Accounts Payable	\$ 278,877	\$ 6,121	\$ 219,445	\$ -	\$ 504,443
Accrued Expenditures	34,981	-	-	-	34,981
Due to Other Funds	219,445	-	-	-	219,445
Due to Third Parties	-	-	-	7,214	7,214
Unearned Revenue	27,594	16,892	-	-	44,486
Total Liabilities	560,897	23,013	219,445	7,214	810,569
Deferred inflows of resources					
Unavailable revenue	840,028	-	-	-	840,028
Total Deferred Inflows of Resources	840,028	-	-	-	840,028
Fund Balances:					
Nonspendable	43,925	-	-	-	43,925
Restricted	-	861,768	-	45,317	907,085
Committed	-	-	-	18,034	18,034
Unassigned	1,211,601	-	-	-	1,211,601
Total Fund Balance	1,255,526	861,768	-	63,351	2,180,645
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,656,451	\$ 884,781	\$ 219,445	\$ 70,565	\$ 3,831,242

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, 2020**

Fund Balance- Total Governmental Fund		\$ 2,180,645
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financing resources and therefore are not reported in the governmental fund:</p>		
Governmental Capital Assets	\$ 11,991,774	
Less Accumulated Depreciation	<u>(4,030,456)</u>	7,961,318
<p>Other long-term assets, such as property taxes and pension expense are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Property taxes		98,297
Net pension deferrals		320,183
<p>Long-term liabilities are not due and payable in the current period are therefore are not reported in the governmental fund.</p>		
Net Pension Liability	(2,613,998)	
Capital lease	(94,336)	
Compensated Absences	<u>(76,161)</u>	(2,784,495)
		\$ 7,775,948
Net Position of Governmental Activities		<u><u>\$ 7,775,948</u></u>

TOWN OF KINGSTREE SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Accommodations & Hospitality Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property and Local Option Sales Tax	\$ 1,501,171	\$ 304,913	\$ 2,744,580	\$ -	\$ 4,550,664
Intergovernmental Revenue	314,564	195,000	46,841	-	556,405
Charges for Services	2,088,093	56,002	-	-	2,144,095
Interest Earned	-	-	-	31	31
Other Revenue	19,088	4,812	-	11,270	35,170
Total Revenues	<u>3,922,916</u>	<u>560,727</u>	<u>2,791,421</u>	<u>11,301</u>	<u>7,286,365</u>
Expenditures					
Current:					
General Government	628,442	-	-	-	628,442
Public Safety	1,699,926	-	-	4,935	1,704,861
Public Works	1,039,584	-	-	-	1,039,584
Culture and Recreation	316,347	205,853	-	-	522,200
Health and Welfare	152,531	-	-	-	152,531
Capital Outlay	43,583	306,640	3,089,568	-	3,439,791
Debt Service					
Principal	44,005	-	-	-	44,005
Interest and fiscal charges	6,812	-	-	-	6,812
Total Expenditures	<u>3,931,230</u>	<u>512,493</u>	<u>3,089,568</u>	<u>4,935</u>	<u>7,538,226</u>
Excess of revenues over expenditures	<u>(8,314)</u>	<u>48,234</u>	<u>(298,147)</u>	<u>6,366</u>	<u>(251,861)</u>
Other financing sources					
Transfer from / (to) other funds	(298,147)	-	298,147	-	-
Total other financing sources	<u>(298,147)</u>	<u>-</u>	<u>298,147</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(306,461)	48,234	-	6,366	(251,861)
Fund Balances, beginning of year	1,561,987	813,534	-	56,985	2,432,506
Fund Balances, end of year	<u>\$ 1,255,526</u>	<u>\$ 861,768</u>	<u>\$ -</u>	<u>\$ 63,351</u>	<u>\$ 2,180,645</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, 2020

Net Change in Fund Balance - Total Governmental Fund **\$ (251,861)**

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	\$ 3,439,791	
Less current year depreciation	<u>(352,732)</u>	3,087,059
Disposal of Capital Asset	(88,244)	
Less Accumulated Depreciation	<u>84,815</u>	
Gain (loss) on disposal of capital asset		(3,429)

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. (45,832)

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) 76,997

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		44,005
Compensated absences		<u>(5,022)</u>

Change in Net Position of Governmental Activities **\$ 2,901,917**

TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities Enterprise Funds		
	Water and Sewer	Town of Kingstree Development Corporation	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,795,536	\$ 7,310	\$ 1,802,846
Accounts Receivable, net	331,787	-	331,787
Inventory	21,450	-	21,450
Total Current Assets	2,148,773	7,310	2,156,083
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	25,366,427	-	25,366,427
Accumulated Depreciation	(11,852,276)	(2,573)	(11,854,849)
Total Capital Assets	15,087,410	62,427	15,149,837
Total Non-Current Assets	15,561,004	62,427	15,623,431
Total Assets	17,709,777	69,737	17,779,514
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Outflow of Resources:			
Deferred outflow on pension	280,952	-	280,952
Total Deferred Outflow of Resources	280,952	-	280,952
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	-	2,306	2,306
Accrued Interest Payable	10,943	-	10,943
Unearned Revenue - Deposits	-	1,175	1,175
Due to Other Funds	191,604	-	191,604
Current Portion - Compensated Absences	6,375	-	6,375
Current Portion - Bonds Payable/Notes Payable	252,808	5,841	258,649
Total Current Liabilities	461,730	9,322	471,052
Non-Current Liabilities:			
Compensated Absences	57,376	-	57,376
Bonds Payable/Notes Payable	10,356,509	50,810	10,407,319
Net Pension Liability	1,742,665	-	1,742,665
Total Non-Current Liabilities	12,156,550	50,810	12,207,360
Total Liabilities	12,618,280	60,132	12,678,412
<u>DEFERRED INFLOW OF RESOURCES</u>			
Deferred Inflow of Resources:			
Deferred inflow on pension	67,497	-	67,497
Total Deferred Inflow of Resources	67,497	-	67,497
<u>NET POSITION</u>			
Invested in Capital Assets, net of related debt	4,478,093	5,776	4,483,869
Restricted for debt service-expendable	473,594	-	473,594
Unrestricted	353,265	3,829	357,094
Total Net Position	\$ 5,304,952	\$ 9,605	\$ 5,314,557

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, 2020

	Business-Type Activities Enterprise Funds		
	Water and Sewer	Town of Kingstree Development Corporation	Total
OPERATING REVENUES:			
Charges for Services	\$ 3,109,250	\$ 11,738	\$ 3,120,988
Total Operating Revenues	3,109,250	11,738	3,120,988
OPERATING EXPENSES:			
Personnel services	1,053,092	-	1,053,092
Contractual Services	534,894	2,520	537,414
Materials and Supplies	153,015	-	153,015
Travel and Training	9,043	-	9,043
Utilities	262,472	-	262,472
Repairs and Maintenance	286,237	300	286,537
Bad Debt	81,072	-	81,072
Miscellaneous	743	2,306	3,049
Depreciation and Amortization Expense	609,339	1,625	610,964
Total Operating Expenses	2,989,907	6,751	2,996,658
Operating Income	119,343	4,987	124,330
NONOPERATING REVENUES (EXPENSES):			
Interest Income	3,663	-	3,663
Interest Expense	(183,061)	(2,121)	(185,182)
Intergovernmental Revenue	432,273	-	432,273
Other Revenue	3,432	15	3,447
Total Nonoperating Revenues (Expenses)	256,307	(2,106)	254,201
Changes in net position	375,650	2,881	378,531
Total Net Position beginning of the year	4,929,302	6,724	4,936,026
Total Net Position end of the year	\$ 5,304,952	\$ 9,605	\$ 5,314,557

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, 2020**

	Enterprise Funds		
	Water and Sewer	Town of Kingstree Development Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,323,117	\$ 11,738	\$ 3,334,855
Payments to employees and suppliers for services	(2,784,871)	(2,930)	(2,787,801)
Net cash provide by (used in) operating activities	538,246	8,808	547,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Nonoperating other revenue (expense)	435,705	15	435,720
Net cash provide by (used in) noncapital financing activities	435,705	15	435,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on long term debt	(398,729)	(5,612)	(404,341)
Interest paid	(188,695)	(2,121)	(190,816)
Net cash provided by (used in) capital and related financing activities	(587,424)	(7,733)	(595,157)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of capital assets	(474,873)	-	(474,873)
Interest received	3,663	-	3,663
Net cash received from (used by) investing activities	(471,210)	-	(471,210)
Net increase (decrease) in cash and cash equivalents	(84,683)	1,090	(83,593)
Cash and cash equivalents, beginning of year	2,353,813	6,220	2,360,033
Cash and cash equivalents, end of year	\$ 2,269,130	\$ 7,310	\$ 2,276,440
Financial Statement Presentation:			
Cash and Cash Equivalents	\$ 1,795,536	\$ 7,310	\$ 1,802,846
Cash and Cash Equivalents- Restricted	473,594	-	473,594
	\$ 2,269,130	\$ 7,310	\$ 2,276,440
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:			
Operating Income (loss)	\$ 119,343	\$ 4,987	\$ 124,330
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation and Amortization	609,338	1,625	610,963
Bad Debt	(81,072)	-	(81,072)
Changes in assets and liabilities:			
(Increase) Decrease in Receivables	213,867	-	213,867
(Increase) Decrease in Due from/to Other Funds	(309,544)	-	(309,544)
Increase (Decrease) in Pension Obligation	(15,253)	-	(15,253)
Increase (Decrease) in Accounts Payable	-	2,196	2,196
Increase (Decrease) in Compensated Absences	1,567	-	1,567
Total adjustments	418,903	3,821	422,724
Net cash provided by (used in) operating activities	\$ 538,246	\$ 8,808	\$ 547,054

**TOWN OF KINGSTREE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 11,334
Total Assets	\$ <u>11,334</u>
<u>LIABILITIES</u>	
Liabilities:	
Due to Others	\$ 11,334
Total Liabilities	\$ <u>11,334</u>

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

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, 2020

A. Introduction- (continued)

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, 2020.

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, 2020

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.

Capital Project Fund - This fund accounts for financial resources to be used to complete construction projects funded by 1% County Sales Tax. This project includes construction of a new police station.

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 funds:

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.

Town of Kingtree Development Corporation -This fund is used to account for the blended component unit of the Town, which is created to assist in the development, conservation and redevelopment of neighborhoods and commercial districts located in the Town of Kingtree, SC.

Fiduciary fund

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

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

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

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

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

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

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

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

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

Unavailable and Unearned Revenues – Unavailable and unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are not considered to be available to liquidate liabilities of the current period. Property taxes for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources. The Town also defers revenue recognition in connection with resources received prior to meeting eligibility requirements (other than time requirements). As such, certain grants have been received, but not yet earned and have been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

investments, including restricted assets, with original maturities of three months or less from the date of acquisition are considered to be cash equivalents.

The Town allows the provisions of GASB Statement No. 72, Fair Value Measurement and Application. The Town measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value. At June 30, 2020, The Town holds no investments.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund statements, reported inventories and prepaid items are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

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

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

Restricted Assets

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

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

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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, 2019, but which were to be levied to finance fiscal year 2020 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pension reported in the government-wide statement of net position. A deferred charge on pension results from the difference in the carrying value of the liability and allocated asset. This amount is deferred and amortized over the shorter of the life of the pension expense or pension liability.

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.

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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:

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."

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

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Fund Statements- The Town follows the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or 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.

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
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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.

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;

TOWN OF KINGSTREE, SOUTH CAROLINA
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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.

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, 2020, the Town's bank balances, including agency funds, of \$4,446,000 was undercollateralized by an estimated \$2,955,000 or the remaining balances were collateralized by government investments held by the pledging financial institution's trust department or agent in the Town's name.

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Custodial Credit Risk-Investment

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, 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:

	<u>Governmental Funds</u>		<u>Proprietary Funds</u>
	<u>General Fund</u>	<u>Accommodations & Hospitality Fund</u>	<u>Water & Sewer Fund</u>
Property tax receivables			
Current property taxes	\$ 741,731		
Current vehicle taxes	13,603		
Delinquent property taxes	110,989		
Net property tax receivables	<u>\$ 866,323</u>		
Accounts and mortgage receivable	\$ 59,388	\$ 21,022	\$ 349,039
Allowance for uncollectable	-	-	(17,252)
Net receivables	<u>\$ 59,388</u>	<u>\$ 21,022</u>	<u>\$ 331,787</u>
Unearned Revenue			
Recreation fees	\$ 350	\$ -	
Fire department revenue	14,344	-	
Event/Downtown project deposits	12,900	16,892	
Total Unearned Revenue	<u>\$ 27,594</u>	<u>\$ 16,892</u>	
Deferred Revenue			
Delinquent property taxes not collected within 30 days after year-end	\$ 840,028		
Total Deffered Revenue	<u>\$ 840,028</u>		
Total Unavailable Revenue	<u>\$ 741,731</u>		

TOWN OF KINGSTREE, SOUTH CAROLINA
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4-Capital Assets-

Governmental capital asset activity for the year-end June 30, 2020 was as follows:

	Balance 6/30/2019	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2020
Land, not depreciated	\$ 1,610,722	\$ 306,640	\$ -	\$ 1,917,362
Construction in Progress, not depreciated	-	3,042,727	-	3,042,727
Capital assets being depreciated:				
Buildings and improvements	4,365,784	-	-	4,365,784
Equipment	823,836	46,841	20,574	850,103
Vehicles	1,839,885	43,582	67,669	1,815,798
Total capital assets	<u>8,640,227</u>	<u>3,439,790</u>	<u>88,243</u>	<u>11,991,774</u>
Less accumulated depreciation:				
Buildings and improvements	2,111,758	152,253	-	2,264,011
Equipment	430,466	84,251	17,145	497,572
Vehicles	1,220,314	116,228	67,669	1,268,873
Total accumulated depreciation	<u>3,762,538</u>	<u>352,732</u>	<u>84,814</u>	<u>4,030,456</u>
Total capital assets, net	<u>\$ 4,877,689</u>	<u>\$ 3,087,058</u>	<u>\$ 3,429</u>	<u>\$ 7,961,318</u>

Business-type Activities capital asset activity for the year-end June 30, 2020 was as follows:

	Balance 6/30/2019	Additions/ Transfers	Deletion/ Transfers	Balance 6/30/2020
Land, not depreciated	\$ 145,000	\$ -	\$ -	\$ 145,000
Capital assets being depreciated:				
Buildings and improvements	971,680	-	-	971,680
Equipment	428,468	-	-	428,468
Vehicles	93,111	-	-	93,111
Water & sewer system	24,891,554	474,873	-	25,366,427
Total capital assets	<u>26,529,813</u>	<u>474,873</u>	<u>-</u>	<u>27,004,686</u>
Less accumulated depreciation:				
Buildings and improvements	733,208	19,892	-	753,100
Equipment	320,802	20,395	-	341,197
Vehicles	93,111	-	-	93,111
Water & sewer system	10,096,764	570,677	-	10,667,441
Total accumulated depreciation	<u>11,243,885</u>	<u>610,964</u>	<u>-</u>	<u>11,854,849</u>
Total capital assets, net	<u>\$ 15,285,928</u>	<u>\$ (136,091)</u>	<u>\$ -</u>	<u>\$ 15,149,837</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
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4-Capital Assets (continued) -

Depreciation expense was charged as follows:

Governmental Activities

General government	\$ 152,544
Public safety	155,999
Public works	34,083
Culture and recreation	10,106
	<u>\$ 352,732</u>

Business - Type Activities

Water & Sewer fund	\$ 609,339
Kingstree Development Corp.	1,625
	<u>\$ 610,964</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>
Governmental Major Fund - General fund	\$ 191,604	\$ 219,445
Governmental Major Fund - Capital Project	219,445	-
Enterprise fund - Water & Sewer	-	191,604
Total	<u>\$ 411,049</u>	<u>\$ 411,049</u>

Transfer are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with authorizations.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Major Fund - General fund	\$ -	\$ 298,147
Governmental Major Fund - Capital Project	298,147	-
Total	<u>\$ 298,147</u>	<u>\$ 298,147</u>

TOWN OF KINGSTREE, SOUTH CAROLINA
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6- Long-Term Debt

The following is a summary of debt transactions for the Town for the year ended June 30, 2020:

Governmental Activities	Balance			Balance	Due within
	6/30/2019	Increase	Decrease	6/30/2020	One Year
Compensated absences	\$ 71,139	\$ 26,627	\$ 21,605	\$ 76,161	\$ 7,616
Capital note payable	138,341	-	44,005	94,336	24,480
	<u>\$ 209,480</u>	<u>\$ 26,627</u>	<u>\$ 65,610</u>	<u>\$ 170,497</u>	<u>\$ 32,096</u>

Business - Type Activities	Balance			Balance	Due within
	6/30/2019	Increase	Decrease	6/30/2020	One Year
Compensated absences	\$ 62,184	\$ 20,222	\$ 18,655	\$ 63,751	\$ 6,375
Note payable - KDC	62,263	-	5,612	56,651	5,841
Revenue bonds	11,008,046	-	398,729	10,609,317	252,808
	<u>\$ 11,132,493</u>	<u>\$ 20,222</u>	<u>\$ 422,996</u>	<u>\$ 10,729,719</u>	<u>\$ 265,024</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, 2020 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	\$ 149,972
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	2,257,928

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

Revenue Bonds Payable – Business – Type Activities (continued)

<u>Issue Date</u>	<u>Description</u>	<u>Original</u>	<u>Outstanding</u>
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	6,205,657
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	1,995,760
		<u>\$ 14,229,300</u>	<u>\$ 10,609,317</u>

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

Business - Type Activities

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 252,808	\$ 283,042
2022	260,108	275,742
2023	267,650	268,199
2024	275,445	260,405
2025	283,500	252,350
2026 - 2030	1,548,207	1,131,042
2031 - 2035	1,795,049	884,201
2036 - 2040	2,069,879	591,221
2041 - 2045	1,406,396	351,950
2046 - 2050	1,563,906	194,441
2051 - 2053	886,369	33,799
	<u>\$ 10,609,317</u>	<u>\$ 4,526,392</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, 2028, 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.

TOWN OF KINGSTREE, SOUTH CAROLINA
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A summary of the annual requirements for note payables are as follows:

Note Payable	Year Ended June 30,	Principal	Interest
	2021	\$ 5,841	\$ 1,873
	2022	6,048	1,665
	2023	6,264	1,450
	2024	6,486	1,227
	2025	6,717	997
	2026 - 2028	25,295	1,549
		<u>\$ 56,651</u>	<u>\$ 8,761</u>

Capital Lease - The Town of Kingstree entered into three capital lease agreements with an institution for three police vehicles in the amount of \$125,907 with monthly payments in the amount of \$2,377, including an estimated annual interest rate of 5.18% until November 2023.

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

Capital Lease	Year Ended June 30,	Principal	Interest
	2021	\$ 24,480	\$ 4,036
	2022	23,682	2,742
	2023	27,149	1,376
	2024	19,025	152
		<u>\$ 94,336</u>	<u>\$ 8,306</u>

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)

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8- Retirement Plans

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and the retirement programs of the state of South Carolina, including the State Optional Retirement Program and the SC Deferred Compensation Program, as well as the state's employee insurance programs. Division. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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 providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG)

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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

Benefits

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.
- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. 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 85 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 85 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 85 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 85 percent.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2020¹</u>	<u>Fiscal Year 2019¹</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%

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

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2020¹</u>	<u>Fiscal Year 2019¹</u>
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
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 service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

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, 2019, 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, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

	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, 2019, 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%

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

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, 2019, 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	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	7,681,749,768	4,815,808,554	2,865,941,214	62.7%

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.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of return 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 2019 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.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

<u>Allocation / Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity ^{1,2}	35.0%	7.29%	2.55%
Private Equity ^{2,3}	9.0%	7.67%	0.69%
Equity Options Strategies ¹	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private) ^{2,3}	8.0%	5.59%	0.45%
Real Estate (REITs) ²	1.0%	8.16%	0.08%
Infrastructure (Private) ^{2,3}	2.0%	5.03%	0.10%
Infrastructure (Public) ²	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation ¹	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds/ Bank Loans ^{1,2}	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt ^{2,3}	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income ¹	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Return ⁴	100.0%		5.41%
Inflation for Actuarial Purposes			<u>2.25%</u>
			<u>7.66%</u>

¹ Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

² The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

³ RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁴ The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

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, 2020

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	\$ 28,766,243,289	\$ 22,834,144,118	\$ 17,883,463,631
PORS	3,884,029,879	2,865,941,214	2,031,869,450

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2019, and the accounting valuation report as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

The Town of Kingstree Employer's Proportionate Share of the South Carolina Retirement System is .010471%. The Town of Kingstree Employer's Proportionate Share of the South Carolina Police Officers Retirement System is .06859% and is reported on the governmental wide financials in the governmental activities in the amount of \$2,613,998 and the business-type activities in the amount of \$1,742,665.

Deferred Outflows (Inflows) of Resources

At June 30, 2020, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

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, 2020.

TOWN OF KINGSTREE, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2020

	<u>Deferred outflows of resources</u>	<u>Deferred inflow of resources</u>
Pension contributions subsequent to measurement date	\$ 364,221	\$ -
Difference in actual and expected experience	42,063	31,704
Change in assumptions	126,131	-
Net difference between projected and actual earnings on plan investments	46,092	-
Change in proportionate share and differences between employer contributions and proportionate share of contributions.	123,875	137,038
	<u>\$ 702,382</u>	<u>\$ 168,742</u>

Measurement Period	Fiscal Year	<u>SCRS</u>	<u>PORS</u>
Ending June 30,	Ending June 30,		
2019	2020	\$ 42,784	\$ 69,382
2020	2021	(5,481)	4,851
2021	2022	18,791	18,002
2022	2023	8,570	12,520
		<u>\$ 64,664</u>	<u>\$ 104,755</u>

The Town reported \$364,221 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, 2020. The Town received credits from the State in the amount of \$10,705 for SCRS and \$4,906 toward this obligation. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

9- Excess of Expenditures over Appropriations-

For the year ended June 30, 2020, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$615,493, for which additional revenue provided \$309,032 in funding above budgeted revenues. As a result, \$306,461 of fund balance was used to support expenditures and other financing uses over budget. Of this total, \$298,147 was a result of a transfer to the capital project fund to support the construction of a building for public safety for which no additional funding source was available to meet construction obligations.

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, 2020**

	<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	\$ 1,385,000	\$ 1,385,000	\$ 1,501,171	\$ 116,171
Intergovernmental Revenues	174,095	174,095	314,564	140,469
Charges for Services	2,052,589	2,052,589	2,088,093	35,504
Other Revenue	2,200	2,200	19,088	16,888
Total Revenue	<u>3,613,884</u>	<u>3,613,884</u>	<u>3,922,916</u>	<u>309,032</u>
EXPENDITURES				
General Government	512,180	508,641	628,442	(119,801)
Public Safety	1,641,592	1,641,590	1,699,926	(58,336)
Public Works	960,073	959,065	1,039,584	(80,519)
Culture and Recreation	287,481	288,491	316,347	(27,856)
Health and Welfare	158,558	162,097	152,531	9,566
Capital Outlay	-	-	43,583	(43,583)
Debt Service				
Principal	54,000	54,000	44,005	9,995
Interest	-	-	6,812	(6,812)
Total Expenditures	<u>3,613,884</u>	<u>3,613,884</u>	<u>3,931,230</u>	<u>(317,346)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(8,314)	(8,314)
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	-	(298,147)	(298,147)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(298,147)</u>	<u>(298,147)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	(306,461)	
Fund Balance - beginning of the year	<u>1,561,987</u>	<u>1,561,987</u>	<u>1,561,987</u>	
Fund Balance -end of year	<u>\$ 1,561,987</u>	<u>\$ 1,561,987</u>	<u>\$ 1,255,526</u>	

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2020**

	<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	\$ 1,385,000	\$ 1,385,000	\$ 1,501,171	\$ 116,171
Intergovernmental Revenue	174,095	174,095	314,564	140,469
Charges for Services	2,052,589	2,052,589	2,088,093	35,504
Other Revenue	<u>2,200</u>	<u>2,200</u>	<u>19,088</u>	<u>16,888</u>
Total Revenues	<u>3,613,884</u>	<u>3,613,884</u>	<u>3,922,916</u>	<u>309,032</u>
<u>EXPENDITURES</u>				
<u>General Government:</u>				
Salaries	195,694	195,694	195,122	572
Fringe Benefits	43,510	43,510	42,367	1,143
Workers Compensation	1,602	1,602	414	1,188
Utilities	150,000	150,000	208,790	(58,790)
Communication	8,500	8,500	8,367	133
Printing	1,500	1,500	2,532	(1,032)
Repairs and Maintenance	2,250	2,250	4,992	(2,742)
Dues and Subscriptions	2,500	2,500	2,927	(427)
Insurance	22,500	22,500	27,648	(5,148)
Travel/Training	6,500	6,500	4,809	1,691
Materials	10,000	10,000	11,685	(1,685)
Grant Project	-	-	32,462	(32,462)
Equipment Capital	-	-	2,797	(2,797)
Contract Services	43,500	43,500	58,405	(14,905)
Depot Project	8,500	8,500	14,506	(6,006)
Miscellaneous	<u>15,624</u>	<u>12,085</u>	<u>10,619</u>	<u>1,466</u>
Total General Governmental	<u>512,180</u>	<u>508,641</u>	<u>628,442</u>	<u>(119,801)</u>

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2020

	<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	\$ 543,094	\$ 543,094	\$ 501,387	\$ 41,707
Fringe Benefits	135,145	135,143	123,255	11,888
Workers Compensation	25,722	25,722	8,963	16,759
Communication	20,000	20,000	18,433	1,567
Printing	2,000	2,000	6,101	(4,101)
Repairs and Maintenance	8,000	8,000	5,195	2,805
Dues and Subscriptions	700	700	100	600
Insurance	84,500	84,500	92,863	(8,363)
Travel/Training	9,000	9,000	2,333	6,667
Materials	10,000	10,000	14,701	(4,701)
Safety	2,500	2,500	1,025	1,475
Miscellaneous	1,000	1,000	594	406
Vehicle O and M	100,000	100,000	103,947	(3,947)
Equipment Capital	12,500	12,500	13	(12,487)
Uniform	10,000	10,000	12,576	(2,576)
Special Contracts	75,000	75,000	159,870	(84,870)
State Fees	3,500	3,500	3,700	(200)
Total Police Department	<u>1,042,661</u>	<u>1,042,659</u>	<u>1,055,056</u>	<u>(12,397)</u>
<u>Fire Department:</u>				
Salaries	326,613	326,613	336,626	(10,013)
Fringe Benefits	78,721	78,721	80,739	(2,018)
Workers Compensation	15,397	15,397	5,236	10,161
Communication	17,000	17,000	16,763	237
Printing	300	300	254	46
Repairs and Maintenance	9,000	9,000	6,815	2,185
Travel/Training	4,000	4,000	1,812	2,188
Materials	14,000	14,000	12,006	1,994

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2020**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Insurance	\$ 45,500	\$ 45,500	\$ 54,388	\$ 8,888
Special Contracts	50,000	50,000	76,832	(26,832)
Safety	11,000	11,000	7,543	3,457
Uniforms	6,000	6,000	5,730	270
Equipment Capital	-	-	25,260	(25,260)
Vehicle O and M	16,000	16,000	11,351	4,649
Miscellaneous	5,400	5,400	3,515	1,885
	<u>598,931</u>	<u>598,931</u>	<u>644,870</u>	<u>(45,939)</u>
Total Public Safety	<u>1,641,592</u>	<u>1,641,590</u>	<u>1,699,926</u>	<u>(58,336)</u>
<u>Public Works:</u>				
Salaries	232,151	230,705	221,953	8,752
Fringe Benefits	51,333	51,771	52,179	(408)
Workers Compensation	7,164	7,164	4,762	2,402
Communication	2,350	2,350	2,027	323
Dues and Subscriptions	6,000	6,000	5,350	650
Printing	1,250	1,250	82	1,168
Repairs and Maintenance	5,000	5,000	10,474	(5,474)
Uniform	3,250	3,250	2,509	741
Insurance	40,625	40,625	49,812	(9,187)
Safety	1,000	1,000	536	464
Special Contracts - Trash	545,000	545,000	615,851	(70,851)
Special Contracts	18,500	18,500	30,396	(11,896)
Travel/Training	10,400	10,400	3,802	6,598
Vehicle O and M	16,800	16,800	21,281	(4,481)
Equipment Capital	1,500	1,500	1,119	381
Miscellaneous	1,000	1,000	459	541
Materials	16,750	16,750	16,992	(242)
Total Public Works	<u>960,073</u>	<u>959,065</u>	<u>1,039,584</u>	<u>(80,519)</u>

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>Culture and Recreation:</u>				
Salaries	\$ 122,877	\$ 129,213	\$ 123,468	\$ 5,745
Fringe Benefits	26,752	30,565	27,831	2,734
Workers Compensation	2,292	2,292	750	1,542
Communication	4,000	3,000	3,158	(158)
Printing	500	500	526	(26)
Repairs and Maintenance	15,000	13,000	16,157	(3,157)
Insurance	19,500	26,000	33,053	(7,053)
Travel/Training	750	750	520	230
Materials	13,000	13,000	13,954	(954)
Safety	360	360	240	120
Special Contracts	15,000	13,000	37,584	(24,584)
Uniforms	750	750	929	(179)
Miscellaneous	1,700	1,700	1,222	478
Equipment Capital	18,000	8,500	8,937	(437)
Sports expense	42,000	40,861	39,025	1,836
Vehicle O and M	5,000	5,000	8,993	(3,993)
Total Culture and Recreation	<u>287,481</u>	<u>288,491</u>	<u>316,347</u>	<u>(27,856)</u>
<u>Health and Welfare:</u>				
Salaries	48,006	50,878	51,242	(364)
Fringe Benefits	11,202	11,869	11,736	133
Workers Compensation	600	600	179	421
Communication	1,800	1,800	3,152	(1,352)
Printing	1,500	1,500	3,045	(1,545)
Repairs and Maintenance	700	700	1,079	(379)
Dues and Subscriptions	400	400	135	265
Insurance	6,500	6,500	9,055	(2,555)
Travel/Training	5,000	5,000	4,900	100

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended June 30, 2020**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Materials	4,800	4,800	1,846	2,954
Safety	300	300	120	180
Special Contracts	\$ 31,750	\$ 31,750	\$ 35,584	\$ (3,834)
Building Demolition	40,000	40,000	28,645	11,355
Equipment Capital	400	400	-	400
Uniforms	400	400	394	6
Miscellaneous	4,000	4,000	19	3,981
Vehicle O and M	<u>1,200</u>	<u>1,200</u>	<u>1,400</u>	<u>(200)</u>
Total Health and Welfare	<u>158,558</u>	<u>162,097</u>	<u>152,531</u>	<u>9,566</u>
<u>Capital Outlay:</u>				
Land, Furniture, Fixtures and Equipment	<u>-</u>	<u>-</u>	<u>43,583</u>	<u>(43,583)</u>
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>43,583</u>	<u>(43,583)</u>
<u>Debt Service:</u>				
Principal	54,000	54,000	44,005	9,995
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>6,812</u>	<u>(6,812)</u>
Total Debt Service	<u>54,000</u>	<u>54,000</u>	<u>50,817</u>	<u>3,183</u>
Total Expenditures	<u>3,613,884</u>	<u>3,613,884</u>	<u>3,931,230</u>	<u>(317,346)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(8,314)</u>	<u>(8,314)</u>
<u>Other Financing Sources (Uses):</u>				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(298,147)</u>	<u>(298,147)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(298,147)</u>	<u>(298,147)</u>
<u>Net Change in Fund Balance</u>	<u>-</u>	<u>-</u>	<u>(306,461)</u>	<u>(306,461)</u>
Fund Balance -beginning of the year			<u>1,561,987</u>	
FUND BALANCE - end of year			<u>\$ 1,255,526</u>	

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingstree's Proportionate Share of the Net Pension Liability
Last Seven 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	1,103,103	205.51%	56.39%
2015	0.01264%	2,176,017	1,120,870	194.14%	59.92%
2016	0.01200%	2,275,858	1,147,457	198.34%	57.00%
2017	0.01084%	2,314,767	904,800	255.83%	52.90%
2018	0.01014%	2,282,002	1,022,785	223.12%	53.30%
2019	0.01015%	2,273,549	832,556	273.08%	54.10%
2020	0.01047%	2,390,966	1,105,710	216.24%	54.40%
South Carolina Police Retirement System					
2014	0.07097%	1,471,168	790,610	186.08%	62.98%
2015	0.07097%	1,385,650	803,082	172.54%	67.55%
2016	0.07238%	1,577,519	852,153	185.12%	64.60%
2017	0.07437%	1,886,376	779,449	242.01%	60.40%
2018	0.07012%	1,920,980	957,613	200.60%	60.90%
2019	0.06517%	1,846,517	832,461	221.81%	61.70%
2020	0.06859%	1,965,597	908,408	216.38%	62.70%

Note to Schedule:

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

TOWN OF KINGSTREE, SOUTH CAROLINA
Schedule of Town of Kingstree's Contributions
Last Seven 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%
2020*	179,809	179,809	-	1,155,585	15.56%
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%
2020*	168,801	168,801	-	935,599	18.04%

Note to Schedule:

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

* They County's actual contributions to SCRS and PORS equal the required contribution before the state credit of 1% issued in accordance with South Carolina 2018-2019 Appropriations Act, Section 117.139.

COMBINING STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

**TOWN OF KINGSTREE SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Federal Equitable Sharing Fund	Police Narcotics Fund	Victims Advocate Fund	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 11,042	\$ 25,248	\$ -	\$ 36,290
Cash and Cash Equivalents - Restricted	-	-	34,275	34,275
Total Assets	\$ 11,042	\$ 25,248	\$ 34,275	\$ 70,565
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Third Parties	\$ -	\$ 7,214	\$ -	\$ 7,214
Total Liabilities	-	7,214	-	7,214
Fund Balances:				
Restricted	11,042	-	34,275	45,317
Committed to Special Revenue Projects/Programs	-	18,034	-	18,034
Total Fund Balance	11,042	18,034	34,275	63,351
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,042	\$ 25,248	\$ 34,275	\$ 70,565

TOWN OF KINGSTREE SOUTH CAROLINA **Page 49**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Federal Equitable Sharing Fund	Police Narcotics Fund	Victims Advocate Fund	Total Nonmajor Governmental Funds
Revenues				
Interest Earned	\$ -	\$ 31	\$ -	\$ 31
Other Revenue	1	2	11,267	11,270
Total Revenues	1	33	11,267	11,301
Expenditures				
Current:				
Public Safety	-	200	4,735	4,935
Total Expenditures	-	200	4,735	4,935
Excess of (deficiency) of revenues over (under) expenditures	1	(167)	6,532	6,366
Net change in fund balance	1	(167)	6,532	6,366
Fund Balances, beginning of year	11,041	18,201	27,743	56,985
Fund Balances, end of year	\$ 11,042	\$ 18,034	\$ 34,275	\$ 63,351

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, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET</u>
<u>OPERATING REVENUES</u>				
Charges for Services - Water	\$ 1,341,000	\$ 1,341,000	\$ 1,321,080	\$ (19,920)
Charges for Services - Sewer	<u>1,761,436</u>	<u>1,761,436</u>	<u>1,788,170</u>	<u>26,734</u>
Total Operating Revenues	3,102,436	3,102,436	3,109,250	6,814
<u>OPERATING EXPENSES</u>				
<u>Water Department</u>				
Salaries	597,520	599,466	579,736	19,730
Fringe Benefits	135,367	135,594	120,497	15,097
Workers Compensation	10,300	10,300	1,467	8,833
Utilities	70,000	70,000	72,781	(2,781)
Communication	25,000	25,000	24,862	138
Bad Debt	-	-	48,643	(48,643)
Repairs and Maintenance	50,000	50,000	37,756	12,244
Dues and Subscriptions	1,500	1,500	986	514
Insurance	82,225	82,225	67,681	14,544
Travel/Training	10,000	10,000	7,743	2,257
Special Contracts	439,850	439,850	387,676	52,174
Materials and Printing	102,500	102,500	112,763	(10,263)
Safety	1,500	1,500	895	605
Miscellaneous	2,500	2,500	706	1,794
Uniform	5,000	5,000	3,662	1,338
Contingency	2,173	-	-	-
Small Equipment	1,000	1,000	2,515	(1,515)
Vehicle Operation and Maintenance	34,000	34,000	33,108	892
Depreciation and Amortization	<u>70,000</u>	<u>70,000</u>	<u>304,669</u>	<u>(234,669)</u>
Total Water Department	1,640,435	1,640,435	1,808,146	(167,711)
<u>Sewer Department</u>				
Salaries	181,478	181,478	174,998	6,480
Fringe Benefits	42,121	42,121	36,569	5,552
Workers Compensation	6,518	6,518	1,832	4,686

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, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET</u>
Utilities	\$ 155,000	\$ 155,000	\$ 189,691	\$ (34,691)
Communication	6,000	6,000	7,830	(1,830)
Repairs and Maintenance	140,000	140,000	205,474	(65,474)
Dues and Subscriptions	400	400	735	(335)
Insurance	26,000	26,000	26,290	(290)
Bad Debt	-	-	32,429	(32,429)
Travel/Training	4,500	4,500	1,300	3,200
Materials	60,000	60,000	40,252	19,748
Special Contracts	120,000	120,000	147,218	(27,218)
Miscellaneous	1,900	1,900	37	1,863
Safety	500	500	480	20
Depreciation	43,000	43,000	304,670	(261,670)
Vehicle Operation and Maintenance	10,000	10,000	9,899	101
Uniform	2,500	2,500	2,057	443
Total Sewer Department	<u>799,917</u>	<u>799,917</u>	<u>1,181,761</u>	<u>(381,844)</u>
Total Expenses	<u>2,440,352</u>	<u>2,440,352</u>	<u>2,989,907</u>	<u>(549,555)</u>
<u>Operating Income (Loss)</u>	662,084	662,084	119,343	(542,741)
Nonoperating Revenue (Expenses):				
Interest Income	3,000	3,000	3,663	663
Interest Expense - Water	(259,545)	(259,545)	(149,540)	110,005
Interest Expense - Sewer	(102,771)	(102,771)	(33,521)	69,250
Government Revenue	-	-	432,273	432,273
Other Revenue - Water	2,500	2,500	3,432	932
Total Nonoperating Revenue (Expenses)	<u>(356,816)</u>	<u>(356,816)</u>	<u>256,307</u>	<u>613,123</u>
<u>Changes in Net Position</u>	<u>\$ 305,268</u>	<u>\$ 305,268</u>	375,650	<u>\$ 70,382</u>
Net Position- beginning of the year			<u>4,929,302</u>	
Net Position - end of the year			<u>\$ 5,304,952</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, 2020

Court Fines, Assessments and Surcharges

Court assessments collected	\$	75,820
Court surcharges collected		<u>30,606</u>
Total Court fines, Assessments and Surcharges collected	\$	106,426
Total Court fines, Assessments and Surcharges Remitted to State		95,159

Retained by the Town

\$ 11,267

Victims Services

Victim's Assistance Funds Collected	\$	11,267
Victim's Assistance Funds Expended		(4,735)
Transfer From General Fund		<u>271</u>

Change in Victim's Assistance Funds 6,803

Funds available, beginning of year

27,472

Funds available, end of year

\$ 34,275

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, 2020, 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 15, 2020.

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, 2020-1 and 2020-2, 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; 2020-1 and 2020-2, in internal control not to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 were 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 15, 2020

TOWN OF KINGSTREE
SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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FINANCIAL STATEMENT FINDINGS

2020-1. Financial Statements prepared using Accounting Principles Generally Accepted in the United States of America (GAAP).

Condition: The Town's management does not prepare the financial statements, there are policies, procedures, software and resources in place to provide source documentation used to prepare the statements but financial statement preparation is not drafted by management.

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

Effect: Potential 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 prepare financial statements.

Views of Responsible Officials and Planned Corrective Actions: Management continues to evaluate the cost effectiveness of this condition. Finance has worked with available resources to identify and communicate transactions that could be subject to additional disclosures or reporting on the annual financial statements and takes all responsibility upon review of the statements.

2020-2. 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, 2020

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 to produce financial statements prepared using GAAP.

Current Year Status: Management has worked to resolve this issue and reports all financial information within the financial reporting system maintained by the finance department. This finding has been modified to reflect changes made.

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. The written manual is over half completed and documentation of all departmental procedures has begun. This will remain a significant deficiency for the current reporting year.

COMPLIANCE FINDINGS

None noted in prior year.