

TOWN OF NORTH, SOUTH CAROLINA

ANNUAL REPORT

YEAR ENDED JUNE 30, 2018

TOWN OF NORTH, SOUTH CAROLINA

ANNUAL REPORT

YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report	1 – 3
Management’s Discussion and Analysis (Unaudited)	4 – 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Fund	13
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	15
Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Statement of Fund Net Position – Proprietary Fund.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund.....	19
Budgetary Comparison Statement – General Fund	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund.....	21
Notes to the Financial Statements	22 – 41

TOWN OF NORTH, SOUTH CAROLINA

ANNUAL REPORT

YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

(continued)

	PAGE
Required Supplementary Information	
Schedule of the Town’s Proportionate Share of the Net Pension Liability (SCRS) and (PORS)	42
Schedule of the Town’s Contributions (SCRS) and (PORS).....	43
Other Financial Information	
Victims’ Rights Funds	
Schedule of Court Fines, Assessments and Surcharges	44
Independent Auditor’s Report on Internal Control	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 – 46

PARTNERS

C.C. McGregor, CPA
1906–1968

G.D. Skipper, CPA
L.R. Leaphart, Jr, CPA
M.J. Binnicker, CPA

W.C. Stevenson, CPA
B.T. Kight, CPA

W.W. Francis, CPA
D.L. Richardson, CPA

E.C. Inabinet, CPA
S.S. Luoma, CPA
T.M. McCall, CPA
H.D. Brown, Jr, CPA
L.B. Salley, CPA

D.K. Strickland, CPA
J.P. McGuire, CPA
L.H. Kelly, CPA
J.R. Matthews II, CPA
C.D. Hinchee, CPA

G.P. Davis, CPA
H.J. Darver, CPA
H.O. Crider, Jr., CPA

ASSOCIATES

V.K. Laroche, CPA
G.N. Mundy, CPA
M.L. Layman, CPA
P.A. Betette, Jr, CPA
D.M. Herpel, CPA
F.C. Gillam, Jr, CPA

H.S. Mims, CPA
T. Solorzano, CPA
C.W. Bolen, CPA
L.T. Hewitt, CPA
D.C. Scott, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of North, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Town of North, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

COLUMBIA
3830 FOREST DRIVE | PO BOX 135
COLUMBIA, SC 29202
(803) 787-0003 | FAX (803) 787-2299

ORANGEBURG
1190 BOULEVARD STREET
ORANGEBURG, SC 29115
(803) 536-1015 | FAX (803) 536-1020

BARNWELL
340 FULDNER ROAD | PO BOX 1305
BARNWELL, SC 29812
(803) 259-1163 | FAX (803) 259-5469

GREENVILLE
101 N MAIN STREET | SUITE 1510
GREENVILLE, SC 29601
(864) 751-6556 | FAX (864) 751-6557

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the major funds of the Town of North, South Carolina, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the Town's proportionate share of the net pension liability and contributions on pages 4 – 10 and 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North, South Carolina's basic financial statements. The other financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT

(continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Town of North, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North, South Carolina's internal control over financial reporting and compliance.

McGregor & Co. LLP

Orangeburg, South Carolina
February 6, 2019

TOWN OF NORTH, SOUTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town Clerk Treasurer and Mayor of the Town of North submit to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business-Type Activities assets of the Town of North exceeded its combined liabilities at the end of the fiscal year by \$2,636,215 (net position). The combined Governmental Activities and Business-type Activities revenues totaled \$981,761, combined expenses totaled \$732,969, and loss on sale of capital asset was \$400. Accordingly, combined revenues exceeded expenses by \$248,392.

At the end of fiscal year 2018, the governmental funds had unassigned fund balance of \$276,804. This amounts to 54% of General Fund annual expenditures. The total fund balance was \$281,543 for the General Fund, the town's principal operating fund.

The Town of North's Business-Type Activity reported an increase in net position at the end of the fiscal year of \$159,756.

At the end of fiscal year 2018, the Town of North's Business-Type Activity reported cash and investments equivalents of \$313,520 and a net position of \$1,539,414.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as a primer on the town's basic financial statements. The Town's basic financial statements have three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

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

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods (i.e., uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence for which the employee will be paid (e.g. sick leave, vacation leave and holiday leave).

TOWN OF NORTH, SOUTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through usage fees and charges (business-type activities).

The governmental activities of the Town of North include administration, police protection, court, and streets and sanitation. The business-type activity of the Town of North is the water and wastewater utility system.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 11 through 12 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town of North, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The funds of the Town can be divided into two categories – the governmental fund and the proprietary fund.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds, with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The Town maintains one individual governmental fund. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund only since there are no other governmental funds. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Proprietary Funds – The Town maintains one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its public utility system, comprised of water and wastewater operations. Proprietary funds provide the same types of information as the government-wide financial statements. The basic Proprietary Fund financial statements can be found on pages 17 through 19 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 through 41.

**TOWN OF NORTH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Other Information – In addition to the basic financial statements and accompanying notes, the report also presents certain other financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2018 financial statements are the 15th consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2018, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue when cash is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of North's assets exceeded liabilities by \$2,636,215 at June 30, 2018.

Net investment in capital assets	\$ 2,377,500
Restricted	4,740
Unrestricted	<u>253,975</u>
	<u>\$ 2,636,215</u>

The largest portion of the Town's net position (90%) reflects its investment in capital assets (land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to Town residents; consequently these assets are not available for future expenditures. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF NORTH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following tables present a summary of the Town's Statement of Net Position as of June 30, 2018 and 2017:

**Condensed Statement of Net Position
(in thousands)
June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 363	\$ 304	\$ 352	\$ 297	\$ 715	\$ 601
Capital Assets (net)	<u>970</u>	<u>928</u>	<u>1,408</u>	<u>1,290</u>	<u>2,378</u>	<u>2,218</u>
Total Assets	<u>1,333</u>	<u>1,232</u>	<u>1,760</u>	<u>1,587</u>	<u>3,093</u>	<u>2,819</u>
Deferred Outflows of Resources	<u>40</u>	<u>47</u>	<u>45</u>	<u>16</u>	<u>85</u>	<u>63</u>
Current Liabilities	65	43	27	35	92	78
Long-term debt	<u>165</u>	<u>257</u>	<u>186</u>	<u>121</u>	<u>351</u>	<u>378</u>
Total Liabilities	<u>230</u>	<u>300</u>	<u>213</u>	<u>156</u>	<u>443</u>	<u>456</u>
Deferred Inflows of Resources	<u>46</u>	<u>53</u>	<u>52</u>	<u>17</u>	<u>98</u>	<u>70</u>
Net Position:						
Invested in Capital Assets	970	928	1,408	1,290	2,378	2,218
Restricted	5	5	-	-	5	5
Unrestricted	<u>122</u>	<u>(7)</u>	<u>132</u>	<u>140</u>	<u>254</u>	<u>133</u>
Total Net Position	<u>\$ 1,097</u>	<u>\$ 926</u>	<u>\$1,540</u>	<u>\$1,430</u>	<u>\$2,637</u>	<u>\$ 2,356</u>

**TOWN OF NORTH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following tables are summaries of revenues and expenses for fiscal years 2018 and 2017:

**Condensed Statement of Activities
(in thousands)
For the Years Ended
June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue						
Program revenues:						
Charges for services	\$222	\$173	\$326	\$ 289	\$ 548	\$ 462
Operating grants	10	10	-	-	10	10
Capital grants and contributions	52	-	-	-	52	-
General revenues:						
Property taxes	156	150	-	-	156	150
State aid	24	22	-	-	24	22
Sales tax	34	82	48	62	82	144
Other general revenues	<u>49</u>	<u>49</u>	<u>59</u>	<u>63</u>	<u>108</u>	<u>112</u>
Total Revenue	<u>547</u>	<u>486</u>	<u>433</u>	<u>414</u>	<u>980</u>	<u>900</u>
 Program expenses						
General governments	93	100	-	-	93	100
Police Department	231	239	-	-	231	239
Public Works – Streets	129	91	-	-	129	91
Court	6	-	-	-	6	-
Water and Sewer	<u>-</u>	<u>-</u>	<u>273</u>	<u>319</u>	<u>273</u>	<u>319</u>
Total Expenses	<u>459</u>	<u>430</u>	<u>273</u>	<u>319</u>	<u>732</u>	<u>749</u>
 Change in Net Position	<u>\$ 88</u>	<u>\$ 56</u>	<u>\$160</u>	<u>\$ 95</u>	<u>\$ 248</u>	<u>\$ 151</u>

Governmental Activities – Governmental activities net position increased \$88,636 during the fiscal year. Governmental Activities revenues showed an increase when compared to fiscal year 2017 and an increase in expenses. The increase in revenues is primarily related to increased collections from business licenses.

Business-type activities – Business-type activities consist of the public water and wastewater system and the garbage collection and disposal system. Total revenues of \$433,447 exceeded total expenses of \$273,691 for an operational surplus of \$159,756. Compared to fiscal year 2017, Business-type revenues are trending upward due to appropriate rate increases.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus on the Town's governmental funds is to provide information on inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

**TOWN OF NORTH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of fiscal year 2018, the Town's governmental fund reported a combined ending fund balance of \$281,543. The Town's general fund is the only governmental fund.

Proprietary funds – The Town's largest component of proprietary fund net position is the net investment in capital assets \$1,407,785 or 91% of the Town's total proprietary fund net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2018 and 2017 General Fund actual revenues were as follows:

➤	\$ 4,682	property taxes	3.1% increase
➤	\$ 53,399	licenses and permits	55.3% increase
➤	\$ 2,026	other shared revenue	9.0% increase
➤	\$ 4,064	court fines	13.1% decrease
➤	\$ 460	miscellaneous income	.9% increase

Property tax revenues increased, and there was an increase in license fees.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2018 and 2017 Proprietary Fund actual revenues were as follows:

➤	\$ 31,783	water service sales	15.7% increase
➤	\$ 5,186	sewer service sales	5.9% increase
➤	\$ 4,098	other operating revenue	6.5% decrease

The variance in Proprietary Fund revenues between fiscal years 2018 and 2017 is less significant on a year to year basis; however, there has been a general increase in water and sewer sales over time. A water tank fee was added for 2017-18, which added approximately \$16,800 to revenue.

Town of North's Capital Assets – Net of Accumulated Depreciation - 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 132,758	\$ 98,826	\$ 231,584
Buildings and structures	598,754	118,338	717,092
Vehicles, furniture and equipment	238,203	151,310	389,513
Utility plant	<u>-</u>	<u>1,039,311</u>	<u>1,039,311</u>
Total	<u>\$ 969,715</u>	<u>\$ 1,407,785</u>	<u>\$ 2,377,500</u>

**TOWN OF NORTH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Town of North's Capital Assets – Net of Accumulated Depreciation - 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 132,758	\$ 98,826	\$ 231,584
Buildings and structures	609,518	123,355	732,873
Vehicles, furniture and equipment	185,527	139,504	325,031
Utility plant	<u>-</u>	<u>928,112</u>	<u>928,112</u>
Total	<u>\$ 927,803</u>	<u>\$ 1,289,797</u>	<u>\$ 2,217,600</u>

ECONOMIC FACTORS

Town Council voted to increase residential and commercial water and sewer rates for FY 2017-2018 in order to minimize withdrawal of funds from savings. Depreciation reserve accounts for Police, Water/Sewer and Public Works were funded.

Separation of duties is strictly enforced by the Mayor in order to maintain an effective financial control environment and to prevent fraud.

The tank fee was increased from \$2.00 to \$3.50 for out-of-town customers through a vote by Council in order to minimize the subsidization of this expense by the Town.

CONTACTING THE TOWN'S MANAGEMENT

This financial report is designed to provide an overview of the Town of North's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Town Mayor
Town of North
9305 North Road
Post Office Box 399
North, South Carolina 29112

**TOWN OF NORTH, SOUTH CAROLINA
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Investments - Note 3	\$ 264,103	\$ 313,520	\$ 577,623
Receivables:			
Current taxes	3,348	-	3,348
Delinquent taxes	20,196	-	20,196
Other	75,860	38,510	114,370
Total Current Assets	363,507	352,030	715,537
Non-Current Assets:			
Capital Assets (net) - Note 5	969,715	1,407,785	2,377,500
Total Non-Current Assets	969,715	1,407,785	2,377,500
TOTAL ASSETS	1,333,222	1,759,815	3,093,037
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals - Note 6	39,875	44,966	84,841
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	26,457	11,510	37,967
Customer deposits	-	14,755	14,755
Accrued compensated absences	3,217	816	4,033
Due to fiduciary fund	29,348	-	29,348
Due to State	5,963	-	5,963
Total Current Liabilities	64,985	27,081	92,066
Non-Current Liabilities:			
Net Pension Liability - Note 6	165,110	186,187	351,297
Total Non-Current Liabilities	165,110	186,187	351,297
TOTAL LIABILITIES	230,095	213,268	443,363
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals - Note 6	46,201	52,099	98,300
NET POSITION			
Net investment in capital assets	969,715	1,407,785	2,377,500
Restricted	4,740	-	4,740
Unrestricted	122,346	131,629	253,975
TOTAL NET POSITION	\$ 1,096,801	\$ 1,539,414	\$ 2,636,215

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Programs Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Administrative	\$ 93,380	\$ 149,993	\$ -	\$ -	\$ 56,613	\$ -	\$ 56,613
Public works - garbage	129,305	45,729	10,124	16,638	(56,814)	-	(56,814)
Court	5,861	-	-	-	(5,861)	-	(5,861)
Police department	230,732	26,838	-	35,300	(168,594)	-	(168,594)
Total Governmental Activities	459,278	222,560	10,124	51,938	(174,656)	-	(174,656)
Business-Type Activities							
Water and sewer	273,691	325,581	-	-	-	51,890	51,890
Total Business-Type Activities	273,691	325,581	-	-	-	51,890	51,890
Total Government	\$ 732,969	\$ 548,141	\$ 10,124	\$ 51,938	(174,656)	51,890	(122,766)
		General Revenues:					
		Taxes:					
		Property taxes, levied for general purposes			155,758	-	155,758
		Sales tax			34,547	48,315	82,862
		State shared revenue			24,341	-	24,341
		Interest income			90	674	764
		Miscellaneous			48,956	58,877	107,833
		Total General Revenues			263,692	107,866	371,558
		Gain(Loss) on sale of assets			(400)	-	(400)
		Change in Net Position			88,636	159,756	248,392
		Net Position - Beginning of Year - As Restated			1,008,165	1,379,658	2,387,823
		Net Position - End of Year			\$ 1,096,801	\$ 1,539,414	\$ 2,636,215

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	General Fund
ASSETS	
Cash and investments	\$ 264,103
State revenue receivable	29,774
Other receivable	46,086
Property taxes receivable	3,348
Delinquent taxes receivable	20,196
	20,196
TOTAL ASSETS	\$ 363,507
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable and other accrued liabilities	\$ 26,457
Due to state	5,963
Due to other funds	29,348
	29,348
Total Liabilities	61,768
Deferred Inflows of Resources	
Unavailable revenue - property taxes	20,196
Total Deferred Inflows of Resources	20,196
Fund Balance:	
Restricted	4,739
Unassigned	276,804
Total Fund Balance	281,543
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 363,507

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL FUND BALANCE - GOVERNMENT FUND \$ 281,543

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

Delinquent taxes receivable will be collected after year-end, but are not
available soon enough to pay for the current period's expenditures and,
therefore, are reported as deferred inflows in the funds. 20,196

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental fund.

The cost of capital assets	1,615,761
Accumulated depreciation	(646,046)

Some expenses reported in the statement of activities do not require the use of
current financial resources, therefore, are not reported as expenditures in
government fund.

Accrued compensated absences	(3,217)
Net pension liability and deferred inflows and outflows	<u>(171,436)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,096,801

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

	General Fund
REVENUES:	
Property and vehicle taxes	\$ 157,148
Licenses and permits	149,961
Police fines	26,838
One percent capital projects tax	34,547
State shared revenues	24,341
Charges for services	45,729
Grants	62,062
Interest	90
Other	48,956
	48,956
TOTAL REVENUES	549,672
EXPENDITURES:	
Administration	86,651
Streets and sanitation	90,137
Police department	210,157
Court	6,677
Capital expenditures	118,228
	118,228
TOTAL EXPENDITURES	511,850
EXCESS (DEFICIENCY) OF REVENUES OVER/ (UNDER) EXPENDITURES	37,822
FUND BALANCE - BEGINNING OF YEAR	243,721
FUND BALANCE - END OF YEAR	\$ 281,543

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 37,822

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

Capital outlays are reported in the governmental funds as expenditures however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period:

Capital outlays	118,228
Depreciation expense	(75,917)

Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered to be "available" and are deferred in the governmental funds. Deferred inflows decreased by this amount this year: (1,358)

Gains or losses on the sale of capital assets are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities. (400)

Net pension liability represents the proportionate share of the future unfunded costs associated with the Town's participation in the South Carolina Retirement System. 9,384

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in government funds.

Accrued leave	877
---------------	-----

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 88,636

**TOWN OF NORTH, SOUTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	Business-Type Activity Water and Sewer
ASSETS	
Current Assets	
Cash and investments	\$ 313,520
Accounts receivable, net	38,510
Total Current Assets	352,030
Non-Current Assets	
Capital Assets	
Non-depreciable	98,826
Capital assets, net of depreciation	1,308,959
Total Non-Current Assets	1,407,785
Total Assets	1,759,815
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	44,966
	44,966
LIABILITIES	
Current Liabilities	
Accounts payable	9,562
Other accrued liabilities	2,764
Customer deposits	14,755
Total Current Liabilities	27,081
Non-Current Liabilities	
Net pension liability - Note 6	186,187
Total Non-Current Liabilities	186,187
Total Liabilities	213,268
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	52,099
	52,099
NET POSITION	
Net Investment in Capital Assets	1,407,785
Unrestricted	131,629
Total Net Position	\$ 1,539,414

See Accompanying Notes to the Basic Financial Statements.

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

	Business-Type Activity Water and Sewer
OPERATING REVENUES:	
Water	\$ 233,671
Sewer	91,910
Other operating revenue	58,877
TOTAL OPERATING REVENUES	384,458
OPERATING EXPENSES:	
Salaries and employee benefits	45,567
Electricity, utilities and telephone	31,139
Materials and supplies	6,848
Chemicals	15,812
Depreciation	60,039
Insurance	4,949
Gas, oil, tires and vehicle repairs	2,494
Contracted services	21,499
Postage	1,987
Office supplies	1,272
DHEC permits	5,796
Analysis and sampling	7,140
Repairs and maintenance, engineering and equipment	63,999
Miscellaneous	5,150
TOTAL OPERATING EXPENSES	273,691
OPERATING INCOME (LOSS)	110,767
NON-OPERATING REVENUES (EXPENSES)	
One percent capital project tax	48,315
Interest income	674
TOTAL NON-OPERATING REVENUES (EXPENSES)	48,989
CHANGE IN NET POSITION	159,756
NET POSITION - BEGINNING OF YEAR -AS RESTATED	1,379,658
NET POSITION - END OF YEAR	\$ 1,539,414

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

	<u>Business-Type Activity Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 375,518
Cash payments to suppliers for goods and services	(176,163)
Cash payments to employees for services	(56,896)
	<u>142,459</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
One percent capital project tax	48,315
Acquisition of capital assets	(145,528)
	<u>(97,213)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and cash equivalents	674
	<u>674</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	45,920
CASH AND INVESTMENTS - BEGINNING OF YEAR	
	<u>267,600</u>
CASH AND INVESTMENTS - END OF YEAR	
	<u>\$ 313,520</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 110,767
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	60,039
(Increase) decrease in accounts receivable	(8,939)
Increase (decrease) in accounts payable	(8,694)
Increase (decrease) in other accrued liabilities	615
Increase (decrease) in pension liability accounts	(11,329)
	<u>(11,329)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
	<u>\$ 142,459</u>

**TOWN OF NORTH, SOUTH CAROLINA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property and vehicle taxes	\$ 143,000	\$ 143,000	\$ 157,148	\$ 14,148
Licenses and permits	78,900	78,900	149,961	71,061
Police fines	12,000	12,000	26,838	14,838
One percent capital projects tax	-	-	34,547	34,547
State shared revenue	21,950	21,950	24,341	2,391
Charges for services	41,000	41,000	45,729	4,729
Grant income	-	-	62,062	62,062
Interest	-	-	90	90
Other	36,450	36,450	48,956	12,506
Total revenues	333,300	333,300	549,672	216,372
EXPENDITURES				
Administration	111,551	111,551	86,651	24,900
Police department	239,443	239,443	210,157	29,286
Court	10,043	10,043	6,677	3,366
Public works - garbage	85,753	85,753	90,137	(4,384)
Capital expenditures	-	-	118,228	(118,228)
TOTAL EXPENDITURES	446,790	446,790	511,850	(65,060)
NET CHANGE IN FUND BALANCE	\$ (113,490)	\$ (113,490)	37,822	\$ 151,312
FUND BALANCE BEGINNING OF YEAR			243,721	
FUND BALANCE END OF YEAR			\$ 281,543	

TOWN OF NORTH, SOUTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2018

	Agency Funds
Assets	
Due from general fund	\$ 29,348
Total assets	<u>\$ 29,348</u>
Liabilities	
Funds held in trust	\$ 29,348
Total liabilities	<u>\$ 29,348</u>

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The Town of North, South Carolina (the Town) was incorporated under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule Town Act). The Town operates under a Council-form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, and general administrative services.

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

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities report information about all activities of the primary government. These statements distinguish between the Town's *governmental* and *business-type activities*. Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the town's governmental funds are reported in the government-wide financial statement as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental fund and proprietary fund. The Town presents separate statements for each fund category – governmental and proprietary.

Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise funds distinguish operating revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions)

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Town's funds are classified into two categories – governmental and proprietary.

Governmental Fund

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund

Enterprise Fund – Enterprise Funds are used to account for operations (a) that are financed and operating in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund

Agency Fund – Agency funds are used to account for assets held by this Town in a trustee capacity or as an agent for individual, private organizations and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Town's agency fund consists of the Victims' Assistance Fund. The Victims' Assistance Fund is used to account for monies derived from court assessments and surcharges and may only be used to pay for statutorily approved expenditures for crime victims and witnesses.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Accrual Basis – The Town uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

Modified Accrual Basis – The Town uses the modified accrual basis of accounting to report its governmental fund. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual – that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has elected to treat all funds as major and present them in separate columns.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

E. Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments, if any, are reported at fair value.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounts Receivable

The accounts receivable of the Water and Sewer Enterprise Fund consist of unpaid user charges for the water and sewer systems of the Town. The amount of unpaid charges is reported net of an allowance for doubtful accounts.

Property taxes are levied, generally in November, for property on record with Orangeburg County as of the prior December 31. These taxes are due without penalty by the January 15 following billing. All taxes outstanding for more than ten years are written off. Personal property taxes are levied by the county on a monthly basis.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Utility plant in service	-	40–45 years
Equipment	3–10 years	5–10 years
Vehicles	5–10 years	4–5 years
Buildings	15–40 years	15–40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

I. Compensated Absences

The Town’s policy allows employees to accumulate paid time off to a maximum of 40 hours. Upon termination, any accumulated paid time off will be paid to the employee, with two weeks notice.

The estimated liability for vested compensated absences attributable to the Town’s governmental and business-type activities is recorded as an expense and liability in the respective funds. The estimated liabilities include required salary-related payments.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net 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.

L. Net Position and Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, 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 – The Town reports a portion of its fund balance in its fund financial statements as restricted. Fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor.

Unrestricted net position – All other net position that does not meet the definition of “restricted,” or “invested in capital assets.”

Fund balances are classified as follows in the fund financial statements:

Fund balance is reported as assigned if the fund balance is constrained by the government’s intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance is reported as *restricted fund balance* if restricted for specific purposes stipulated by an external resource provider, constitutionally or through enabling legislation, such as Drug Seizure monies.

Fund balance is reported as *committed* if amounts have been committed through the appropriations process. The Town does not have any committed funds.

Unassigned fund balance – all other fund balances that do not meet the definition of “restricted,” “assigned,” or “committed.”

The Town’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE - BUDGETS

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Water and Sewer Enterprise Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparison of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

Actual revenue exceeded budgeted revenue by \$216,372. Actual expenditures exceeded the budget by \$65,060 due to capital expenditures that were not budgeted.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 – CASH AND INVESTMENTS

At year-end, the carrying amount of the Town’s deposits and investments was \$577,339 and the bank balance was \$579,084. To reconcile this information to the financial statements, we include the following:

Cash and investments		\$ 577,339
Cash on hand		<u>284</u>
Total		<u>\$ 577,623</u>
Cash – Governmental Activities		\$ 264,103
Business Type Activities		<u>313,520</u>
		<u>\$ 577,623</u>
Deposits		\$ 513,189
Investments		<u>64,434</u>
		<u>\$ 577,623</u>

Of the bank balance of \$534,738 excluding the investment pool funds, \$500,000 is secured by FDIC insurance and \$34,738 is secured by collateral.

Investments are carried at fair value, and are composed of the following:

	Maturities	Fair Value
State investment pool	18 months to 2 years	\$ 44,346
Certificates of deposit	15 months	<u>20,088</u>
		<u>\$ 64,434</u>

The local government investment pool 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 South Carolina State Treasurer oversees the pool. The fair value of the position in the pool is the same as the value of the pool shares. The Pool is included as an investment trust fund in the State of South Carolina Comprehensive Annual Financial Report. At June 30, 2018, the underlying security ratings of the Town’s investment in the Local Government Investment Pool (LGIP) is classified in risk category “A” and may be obtained from the LGIP’s complete financial statements by writing to the following address:

Office of the State Treasurer
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
State revenue	\$ 29,774	\$ -	\$ 29,774
Sanitation charges	9,614	-	9,614
Water and sewer billings	-	61,982	61,982
Property taxes	23,544	-	23,544
Other receivables	<u>41,087</u>	<u>-</u>	<u>41,087</u>
Gross receivables	104,019	61,982	166,001
Less, allowance for uncollectibles	<u>(4,615)</u>	<u>(23,472)</u>	<u>(28,087)</u>
Net receivables	<u>\$ 99,404</u>	<u>\$ 38,510</u>	<u>\$ 137,914</u>

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 132,758	\$ -	\$ -	\$ 132,758
Total capital assets, not being depreciated	<u>132,758</u>	<u>-</u>	<u>-</u>	<u>132,758</u>
Capital assets, being depreciated:				
Buildings and structures	988,215	21,997	-	1,010,212
Vehicles, furniture and equipment	<u>383,824</u>	<u>96,231</u>	<u>7,264</u>	<u>472,791</u>
Total capital assets, being depreciated	<u>1,372,039</u>	<u>118,228</u>	<u>7,264</u>	<u>1,483,003</u>
Less accumulated depreciation:				
Buildings and structures	(378,697)	(32,761)	-	(411,458)
Vehicles, furniture and equipment	<u>(198,297)</u>	<u>(43,155)</u>	<u>6,864</u>	<u>(234,588)</u>
Total accumulated depreciation	<u>(576,994)</u>	<u>(75,916)</u>	<u>6,864</u>	<u>(646,046)</u>
Total capital assets, being depreciated, net	<u>795,045</u>	<u>42,312</u>	<u>400</u>	<u>836,957</u>
Governmental activities capital assets, net	<u>\$ 927,803</u>	<u>\$ 42,312</u>	<u>\$ 400</u>	<u>\$ 969,715</u>

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 – CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 98,826	\$ -	\$ -	\$ 98,826
Total capital assets, not being depreciated	<u>98,826</u>	<u>-</u>	<u>-</u>	<u>98,826</u>
Capital assets, being depreciated:				
Utility plant	2,301,292	151,097	-	2,452,389
Buildings	213,013	-	-	213,013
Vehicles and equipment	<u>251,682</u>	<u>26,931</u>	<u>4,699</u>	<u>273,914</u>
Total capital assets, being depreciated	<u>2,765,987</u>	<u>178,028</u>	<u>4,699</u>	<u>2,939,316</u>
Less accumulated depreciation:				
Utility plant	(1,373,181)	(39,897)	-	(1,413,078)
Buildings	(89,658)	(5,016)	-	(94,674)
Vehicles and equipment	<u>(112,178)</u>	<u>(15,126)</u>	<u>4,699</u>	<u>(122,605)</u>
Total accumulated depreciation	<u>(1,575,017)</u>	<u>(60,039)</u>	<u>4,699</u>	<u>(1,630,357)</u>
Total capital assets, being depreciated, net	<u>1,190,970</u>	<u>117,989</u>	<u>-</u>	<u>1,308,959</u>
Business-type activities capital assets, net	<u>\$ 1,289,796</u>	<u>\$ 117,989</u>	<u>\$ -</u>	<u>\$1,407,785</u>

Depreciation expense was charged as direct expense to programs of the government as follows:

Governmental activities:	
General government	\$ 14,942
Streets and sanitation	40,981
Court department	19
Police department	<u>19,974</u>
Total depreciation – governmental activities	<u>\$ 75,916</u>
Business-type activities:	
Water and sewer	<u>\$ 60,039</u>
Total depreciation	<u>\$ 135,956</u>

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN

General Information about the Pension Plans

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

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

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

Plan Descriptions

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

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

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

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.
- 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 state statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

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

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

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Benefits (continued)

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

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

Contributions

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

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

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

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Contributions (continued)

Required employee contribution rates¹ are as follows:

	<u>7/1/17 to 6/30/18</u>	<u>7/1/16 to 6/30/17</u>
<u>SCRS</u>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<u>PORS</u>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates¹ are as follows (based on retirement plan's fiscal year):

	<u>7/1/17 to 6/30/18</u>	<u>7/1/16 to 6/30/17</u>
<u>SCRS</u>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<u>PORS</u>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
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.

The Town's contributions to the SCRS and PORS for their last three fiscal years were as follows:

<u>SCRS</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employee Contributions	\$ 6,205	\$ 5,559	\$ 7,707
Employer Contributions	9,246	7,323	10,304
Employer Group Life Contributions	<u>104</u>	<u>96</u>	<u>142</u>
Total	<u>\$ 15,555</u>	<u>\$ 12,978</u>	<u>\$ 18,153</u>
 <u>PORS</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employee Contributions	\$ 10,933	\$ 9,452	\$ 7,479
Employer Contributions	17,763	14,158	11,416
Employer Group Life Contributions	<u>448</u>	<u>408</u>	<u>342</u>
Total	<u>\$ 29,144</u>	<u>\$ 24,018</u>	<u>\$ 19,237</u>

The Town contributed 100% of the required contributions for the current year and each of the two preceding years.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$143,173 for its proportionate share of the net pension liability for SCRS and a liability of \$208,124 for its proportionate share of the net pension liability for PORS. The net pension liability of the defined benefit plan was determined based on the most recent actuarial valuation as of July 1, 2016, using membership as of that date projected forward to the end of the retirement plan’s fiscal year, and financial information of the pension trust funds as of June 30, 2017. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

At the retirement plan’s year end of June 30, 2017, the Town’s proportion was 0.000636% and 0.0076% for SCRS and PORS, respectively.

For the year ended June 30, 2018, the Town recognized pension expense of \$6,849, including \$(11,963) for SCRS and \$18,812 for PORS, respectively. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>SCRS</u>		
Differences between expected and actual experience	\$ 638	\$ 79
Assumption changes	8,381	-
Net difference between projected and actual earnings on pension plan investment earnings	3,997	-
Deferred amounts from changes in proportionate share and differences between Town contributions and proportionate share of contributions	-	68,496
Town contributions subsequent to the measurement date	9,350	-
Totals	\$ 22,366	\$ 68,575
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PORS</u>		
Differences between expected and actual experience	\$ 1,856	\$ -
Assumption changes	19,753	-
Net difference between projected and actual earnings on pension plan investment earnings	7,416	-
Deferred amounts from changes in proportionate share and differences between Town contributions and proportionate share of contributions	15,239	29,725
Town contributions subsequent to the measurement date	18,211	-
Totals	\$ 62,475	\$ 29,725

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The amount of \$9,350 for SCRS and \$18,211 for PORS reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

As discussed in GASB 68, collective deferred outflows/inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow or inflow of resources related to pensions. The following schedules reflect the Town’s proportionate share of amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding at June 30, 2017.

Difference between expected and actual experience¹		
	<u>SCRS</u>	<u>PORS</u>
	June 30, 2017	June 30, 2017
Initial Balance	\$ 4,424	\$ 6,668
Amortized ² period ending June 30,		
2014	\$ (960)	\$ (1,007)
2015	(892)	(1,114)
2016	(964)	(1,303)
2017	(1,049)	(1,388)
2018	(313)	(1,241)
2019	(146)	(358)
2020	(94)	(210)
2021	(85)	(47)
2022	-	-
Thereafter	-	-
Assumption Changes		
	<u>SCRS</u>	<u>PORS</u>
	June 30, 2017	June 30, 2017
Initial Balance	\$ 11,108	\$ 25,315
Amortized ² period ending June 30,		
2017	\$ (2,727)	\$ (5,562)
2018	(2,727)	(5,562)
2019	(2,727)	(5,562)
2020	(2,727)	(5,562)
2021	(200)	(3,067)
2022	-	-
Thereafter	-	-

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Difference between projected and actual investment earnings ³	
	<u>SCRS</u>	<u>PORS</u>
	June 30, 2017	June 30, 2017
Initial Balance	\$ 4,376	\$ 8,590
Amortized ² period ending June 30,		
2014	\$ 2,308	\$ 4,209
2015	375	599
2016	(2,187)	(4,263)
2017	(875)	(1,719)
2018	(875)	(1,719)
2019	(3,183)	(5,927)
2020	(1,250)	(2,318)
2021	1,311	2,548
Thereafter	-	-

¹ In accordance with GASB 68, the difference between each year's expected and actual experience is required to be amortized over the average remaining service lives of all employees provided with pensions through the plan at June 30. The service periods used for amortization periods are 4.233(SCRS) and 4.856(PORS) years for 6/30/14; 4.164(SCRS) and 4.79 (PORS) years for 6/30/15; 4.116(SCRS) and 4.665(PORS) years for 6/30/16; 4.073(SCRS) and 4.553(PORS) years for 6/30/17.

² Amount amortized and included in pension expense during measurement period listed.

³ In accordance with GASB 68, the difference between each year's projected and actual investment earnings is required to be amortized over a closed 5 year period.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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 as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Actuarial Assumptions and Methods (continued)

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<u>SCRS</u>	<u>PORS</u>
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, 2017, TPL are as follows:

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers’ Net Pension Liability(Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$48,244,437,494	\$25,732,829,268	\$22,511,608,226	53.3%
PORS	\$ 7,013,684,001	\$ 4,274,123,178	\$ 2,739,560,823	60.9%

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

Net Pension Liability (continued)

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 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 on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – RETIREMENT PLAN (continued)

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.

Sensitivity Analysis

The following table presents the Town’s proportionate share of the collective NPL calculated using the discount rate of 7.25 percent, as well as what the Town’s proportionate share of 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	\$ 184,531	\$ 143,173	\$ 118,079
PORS	\$ 281,119	\$ 208,124	\$ 150,775

Additional Financial and Actuarial Information

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

Payables to the Pension Plan

As of June 30, 2018, the Town had \$3,844 in payables outstanding to the pension plans for its legally required contributions.

NOTE 7 – NET POSITION RESTATEMENT

Fund balances and net position for June 30, 2017 were restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, June 30, 2017	\$ 925,720	\$ 1,429,603
Restate capital assets	-	32,500
To adjust for pension liability allocation	<u>82,445</u>	<u>(82,445)</u>
Balance restated at June 30, 2017	<u>\$ 1,008,165</u>	<u>\$ 1,379,658</u>

**TOWN OF NORTH, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the last two years, and settled claims have not exceeded coverage in any of the last four fiscal years.

The Town participates in the South Carolina Insurance Reserve Fund, an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$600,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property.

NOTE 9 – CONTINGENCIES AND COMMITMENTS

Grants:

The Town participates in a number of federally assisted grant programs and state funded grant programs. These programs are subject to financial compliance audits by the Town's auditors and by auditors of the federal or state grantor agencies. Upon audit, should it be determined that the Town has failed to comply with applicable requirements of the grants, then some or all of the grant expenditures may be disallowed and a portion of the grant expenditures may be reimbursable to the grantor.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 6, 2019, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

TOWN OF NORTH, SOUTH CAROLINA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (SCRS) and (PORS)
Last 10 Fiscal Years

SCRS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Town's proportion of the net pension liability (asset)	0.000636%	0.000975%	0.0011%	0.0012%	0.0012%	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset)	\$ 143,173	\$ 208,258	\$ 215,448	\$ 207,805	\$ 216,493	NA*	NA*	NA*	NA*	NA*
Town's covered-employee payroll	\$ 64,188	\$ 94,446	\$ 94,446	\$ 106,528	\$ 109,623	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	223.05%	220.50%	228.12%	195.07%	197.49%	NA*	NA*	NA*	NA*	NA*
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	56.99%	59.92%	56.39%	NA*	NA*	NA*	NA*	NA*

PORS

Town's proportion of the net pension liability (asset)	0.00760%	0.00671%	0.0092%	0.0092%	0.0092%	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset)	\$ 208,124	\$ 170,274	\$ 199,860	\$ 175,744	\$ 190,299	NA*	NA*	NA*	NA*	NA*
Town's covered-employee payroll	\$ 102,300	\$ 85,576	\$ 85,578	\$ 113,550	\$ 110,408	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203.44%	198.97%	233.54%	154.77%	172.36%	NA*	NA*	NA*	NA*	NA*
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.57%	67.55%	62.98%	NA*	NA*	NA*	NA*	NA*

NA* - Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
--

Source: Audit report on the schedules of employer allocations, schedules of pension amounts by employer, and related notes of the South Carolina Retirement Systems, as administered by the SC Public Employee Benefits Authority for the year ended June 30, 2017.

TOWN OF NORTH, SOUTH CAROLINA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S CONTRIBUTIONS (SCRS) AND (PORS)
 Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SCRS										
Contractually required contribution	\$ 9,350	\$ 7,419	\$ 10,446	\$ 11,776	\$ 11,620	NA*	NA*	NA*	NA*	NA*
Contributions in relation to the contractually required contribution	<u>(9,350)</u>	<u>(7,419)</u>	<u>(10,446)</u>	<u>(11,776)</u>	<u>(11,620)</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 68,951	\$ 64,188	\$ 94,446	106,528	109,623	NA*	NA*	NA*	NA*	NA*
Contributions as a percentage of covered-employee payroll	13.56%	11.56%	11.06%	11.05%	10.60%	NA*	NA*	NA*	NA*	NA*
PORS										
Contractually required contribution	\$ 18,211	\$ 14,566	\$ 11,759	15,707	14,177	NA*	NA*	NA*	NA*	NA*
Contributions in relation to the contractually required contribution	<u>(18,211)</u>	<u>(14,566)</u>	<u>(11,759)</u>	<u>(15,707)</u>	<u>(14,177)</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>	<u>NA*</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 112,137	\$ 102,300	\$ 85,578	113,550	110,408	NA*	NA*	NA*	NA*	NA*
Contributions as a percentage of covered-employee payroll	16.24%	14.24%	13.74%	13.45%	12.84%	NA*	NA*	NA*	NA*	NA*

NA* - Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
--

Source: Town quarterly retirement contribution reports.

**TOWN OF NORTH, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
VICTIMS' RIGHTS FUNDS
YEAR ENDED JUNE 30, 2018**

COURT FINES:

Court Fines Collected	\$ 24,657
Court Fines Retained by Town	<u>24,657</u>
 Court Fines Remitted to the State Treasurer	 <u><u>\$ -</u></u>

COURT ASSESSMENTS:

Court Assessments Collected	\$ 27,188
Court Assessments Retained by Town	<u>3,034</u>
 Court Assessments Remitted to the State Treasurer	 <u><u>\$ 24,154</u></u>

COURT SURCHARGES:

Court Surcharges Collected	\$ 16,992
Court Surcharges Retained by Town	<u>1,132</u>
 Court Surcharges Remitted to the State Treasurer	 <u><u>\$ 15,860</u></u>

VICTIMS SERVICES:

Victims Service Revenue:

Court Assessments Allocated to Victims Services	\$ 3,034
Court Surcharges Allocated to Victims Services	<u>1,132</u>
 Funds Allocated to Victims Services	 <u>4,166</u>
 Interest earned	 9
Carryforward - Beginning of Year	29,293
Funds Retained by Town from above	<u>4,166</u>
Total Funds Allocated to Victims Service Fund	<u><u>33,468</u></u>

Expenditures for Victims Service Program:

Victims Service Training and Registration	(2,120)
Victims Service Donation:	
Domestic Violence Shelter : CASA	<u>(2,000)</u>
Total Fund Expenditures	<u><u>(4,120)</u></u>

Carryforward - End of Year	<u><u>\$ 29,348</u></u>
-----------------------------------	-------------------------

PARTNERS

C.C. McGregor, CPA
1906–1968

G.D. Skipper, CPA
L.R. Leaphart, Jr, CPA
M.J. Binnicker, CPA

W.C. Stevenson, CPA
B.T. Kight, CPA

W.W. Francis, CPA
D.L. Richardson, CPA

E.C. Inabinet, CPA
S.S. Luoma, CPA
T.M. McCall, CPA

H.D. Brown, Jr, CPA
L.B. Salley, CPA

D.K. Strickland, CPA
J.P. McGuire, CPA
L.H. Kelly, CPA

J.R. Matthews II, CPA
C.D. Hinchee, CPA

G.P. Davis, CPA
H.J. Darver, CPA
H.O. Crider, Jr., CPA

ASSOCIATES

V.K. Laroche, CPA
G.N. Mundy, CPA
M.L. Layman, CPA

P.A. Betette, Jr, CPA
D.M. Herpel, CPA
F.C. Gillam, Jr, CPA

H.S. Mims, CPA
T. Solorzano, CPA
C.W. Bolen, CPA

L.T. Hewitt, CPA
D.C. Scott, CPA

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 Honorable Mayor and Town Council
Town of North, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of North, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North, South Carolina’s basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

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

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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***
(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGregor & Co. LLP

Orangeburg, South Carolina
February 6, 2019