

**TOWN OF NORTH, SOUTH CAROLINA**

**ANNUAL REPORT**

**YEAR ENDED JUNE 30, 2017**

**TOWN OF NORTH, SOUTH CAROLINA**

**ANNUAL REPORT**

**YEAR ENDED JUNE 30, 2017**

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**TOWN OF NORTH, SOUTH CAROLINA**

**ANNUAL REPORT**

**YEAR ENDED JUNE 30, 2017**

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## 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, 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, 2017, 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.

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**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, the major fund, and the aggregate remaining fund information of the Town of North, South Carolina, as of June 30, 2017, 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 41 and 42 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 December 7, 2017, 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  
December 7, 2017

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

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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, 2017.

**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 \$2,355,323 (net position). The combined Governmental Activities and Business-type Activities revenues totaled \$900,146, combined expenses totaled \$749,699, and loss on sale of capital asset was \$216. Accordingly, combined revenues exceeded expenses by \$150,231.

At the end of fiscal year 2017, the governmental funds had unassigned fund balance of \$238,982. This amounts to 48% of General Fund annual expenditures. The total fund balance was \$243,721 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 \$94,538.

At the end of fiscal year 2017, the Town of North's Business-Type Activity reported cash and investments equivalents of \$267,600.

**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 basic 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 in 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**

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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, 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 – governmental funds and proprietary funds.

**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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances 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 40.

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

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**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 2017 financial statements are the 10<sup>th</sup> 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 2017, 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 as cash when it 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 \$2,355,323 at June 30, 2017.

Net investment in capital assets	\$ 2,217,600
Restricted	4,739
Unrestricted	<u>132,984</u>
	<u>\$ 2,355,323</u>

The largest portion of the Town's net position (94%) 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, 2017 and 2016:

**Condensed Statement of Net Position  
(in thousands)  
June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Current Assets	\$ 304	\$ 403	\$ 297	\$ 72	\$ 601
Capital Assets (net)	<u>928</u>	<u>867</u>	<u>1,290</u>	<u>1,321</u>	<u>2,218</u>	<u>2,188</u>
<b>Total Assets</b>	<u>1,232</u>	<u>1,270</u>	<u>1,587</u>	<u>1,393</u>	<u>2,819</u>	<u>2,663</u>
Deferred Outflows of Resources	<u>47</u>	<u>31</u>	<u>16</u>	<u>3</u>	<u>63</u>	<u>34</u>
Current Liabilities	43	69	35	22	78	91
Long-term debt	<u>257</u>	<u>375</u>	<u>121</u>	<u>41</u>	<u>378</u>	<u>416</u>
<b>Total Liabilities</b>	<u>300</u>	<u>444</u>	<u>156</u>	<u>63</u>	<u>456</u>	<u>507</u>
Deferred Inflows of Resources	<u>53</u>	<u>8</u>	<u>17</u>	<u>2</u>	<u>70</u>	<u>10</u>
<b>Net Position:</b>						
Invested in Capital Assets	928	867	1,290	1,321	2,218	2,188
Restricted	5	-	-	-	5	-
Unrestricted	<u>(7)</u>	<u>(18)</u>	<u>140</u>	<u>10</u>	<u>133</u>	<u>(8)</u>
<b>Total Net Position</b>	<u>\$ 926</u>	<u>\$ 849</u>	<u>\$1,430</u>	<u>\$1,331</u>	<u>\$2,356</u>	<u>\$ 2,180</u>

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

The following tables are summaries of revenues and expenses for fiscal years 2017 and 2016:

**Condensed Statement of Activities  
(in thousands)  
For the Years Ended  
June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue						
Program revenues:						
Charges for services	\$173	\$ 60	\$289	\$ 319	\$ 462	\$ 379
Operating grants	10	-	-	-	10	-
General revenues:						
Property taxes	150	133	-	-	150	133
State aid	22	37	-	-	22	37
Sales tax	82	-	62	39	144	39
Other general revenues	49	179	63	25	112	204
Transfer	-	52	-	(52)	-	-
Gain of sale of capital assets	-	2	-	-	-	2
<b>Total Revenue</b>	<u>486</u>	<u>463</u>	<u>414</u>	<u>331</u>	<u>900</u>	<u>794</u>
Program expenses						
General governments	100	101	-	-	100	101
Police Department	239	188	-	-	239	188
Public Works – Streets	91	115	-	-	91	115
Water and Sewer	-	-	<u>319</u>	<u>294</u>	<u>319</u>	<u>294</u>
<b>Total Expenses</b>	<u>430</u>	<u>404</u>	<u>319</u>	<u>294</u>	<u>749</u>	<u>698</u>
<b>Change in Net Position</b>	<u>\$ 56</u>	<u>\$ 59</u>	<u>\$ 95</u>	<u>\$ 37</u>	<u>\$ 151</u>	<u>\$ 96</u>

**Governmental Activities** – Governmental activities net position increased \$55,693 during the fiscal year. Governmental Activities revenues showed an increase when compared to fiscal year 2016 and decrease in expenses. The decrease in expenses is the result of a decrease in spending in the Public Works Department. The increase in revenues is primarily related to increased collections from business licenses and an increase in police fines.

**Business-type activities** – Business-type activities consist of the public water and wastewater system and the garbage collection and disposal system. Total revenues of \$413,921 exceeded total expenses of \$319,383 for an operational surplus of \$94,538. Compared to fiscal year 2016, 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 inflow, outflow 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**

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At the end of fiscal year 2017, the Town's governmental funds reported a combined ending fund balance of \$243,721. 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 \$1,289,797 or 90.2% of the Town's total proprietary fund net assets.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Selected variances between fiscal years 2017 and 2016 General Fund actual revenues were as follows:

➤	\$ 19,754	property taxes	14.90% increase
➤	\$ 23,545	license, permits and franchise fees	19.60% increase
➤	\$ (14,283)	other shared revenue	39.10% decrease
➤	\$ 17,225	court fines	1.26% increase
➤	\$ 7,512	miscellaneous income	18.40% increase

Property tax revenues increased, and there was a increase in license fees. The 18.4% increase in miscellaneous income does not necessarily represent growth in the Governmental activities, but does indicate a gradual increase in General Fund revenue.

**PROPRIETARY FUND BUDGETARY HIGHLIGHTS**

Selected variances between fiscal years 2017 and 2016 Proprietary Fund actual revenues were as follows:

➤	\$ 10,351	water service sales and franchise fees	5.4% increase
➤	\$ 12,881	sewer service sales	17.4% increase
➤	\$ 8,783	other operating revenue	16.2% increase

The variance in Proprietary Fund revenues between fiscal years 2017 and 2016 is less significant on a year to year basis; however, there has been a general increase in water and sewer sales over time. Water and sewer sales revenues have increased after a full fiscal year impact of the increased water and sewer rates starting in fiscal year 2016.

**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	-	928,112	928,112
Total	<u>\$ 927,803</u>	<u>\$ 1,289,797</u>	<u>\$ 2,217,600</u>

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

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**Town of North's Capital Assets – Net of Accumulated Depreciation - 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 139,621	\$ 98,826	\$ 238,447
Buildings and structures	641,881	128,373	770,254
Vehicles, furniture and equipment	85,229	146,609	231,838
Utility plant	<u>-</u>	<u>947,332</u>	<u>947,332</u>
Total	<u>\$ 866,731</u>	<u>\$ 1,321,140</u>	<u>\$ 2,187,871</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Town Council voted to increase water and sewer rates for FY 2016–2017 in order to minimize withdrawal of funds from savings. Reserve accounts were established for Police and Water/Sewer in September, 2016, to reflect depreciation expense for FY 2015–2016 and 2016–2017. The Town had previously not allocated monies for depreciation.

The Mayor established separation of financial duties so that one individual would not have sole control over the lifespan of a financial transaction as under the previous administration. The separation of duties plays a critical role in helping to establish a strong, effective financial control environment and is intended to prevent fraud and error.

The Town entered into a water tank maintenance contract for \$17,350 per annum. On January 8, 2018, Council voted to assess each water customer a \$2.00 monthly fee for clean drinking water.

**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, 2017**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Investments - Note 3	\$ 257,714	\$ 267,600	\$ 525,314
Receivables:			
Current taxes	3,571	-	3,571
Delinquent taxes	21,556	-	21,556
Other	21,570	29,570	51,140
<b>Total Current Assets</b>	<u>304,411</u>	<u>297,170</u>	<u>601,581</u>
<b>Non-Current Assets:</b>			
Capital Assets (net) - Note 5	927,803	1,289,797	2,217,600
<b>Total Non-Current Assets</b>	<u>927,803</u>	<u>1,289,797</u>	<u>2,217,600</u>
<b>TOTAL ASSETS</b>	<u>1,232,214</u>	<u>1,586,967</u>	<u>2,819,181</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferrals - Note 6	47,785	15,718	63,503
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	5,431	19,988	25,419
Customer deposits	-	14,755	14,755
Accrued compensated absences	4,095	417	4,512
Due to fiduciary fund	29,293	-	29,293
Due to State	4,411	-	4,411
<b>Total Current Liabilities</b>	<u>43,230</u>	<u>35,160</u>	<u>78,390</u>
<b>Non-Current Liabilities:</b>			
Net Pension Liability - Note 6	257,742	120,790	378,532
<b>Total Non-Current Liabilities</b>	<u>257,742</u>	<u>120,790</u>	<u>378,532</u>
<b>TOTAL LIABILITIES</b>	<u>300,972</u>	<u>155,950</u>	<u>456,922</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferrals - Note 6	53,307	17,132	70,439
<b>NET POSITION</b>			
Net Investment in Capital Assets	927,803	1,289,797	2,217,600
Restricted	4,739	-	4,739
Unrestricted	(6,822)	139,806	132,984
<b>TOTAL NET POSITION</b>	<u>\$ 925,720</u>	<u>\$ 1,429,603</u>	<u>\$ 2,355,323</u>

See Accompanying Notes to the Basic Financial Statements.

TOWN OF NORTH, SOUTH CAROLINA  
 GOVERNMENT-WIDE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Administrative	\$ 100,147	\$ 96,562	\$ 1,770	\$ -	\$ (1,815)	\$ -	\$ (1,815)
Public works - garbage	91,554	45,255	198	-	(46,101)	-	(46,101)
Police department	238,615	30,902	8,531	-	(199,182)	-	(199,182)
<b>Total Governmental Activities</b>	<b>430,316</b>	<b>172,719</b>	<b>10,499</b>	<b>-</b>	<b>(247,098)</b>	<b>-</b>	<b>(247,098)</b>
<b>Business-Type Activities</b>							
Water and Sewer	319,383	288,612	-	-	-	(30,771)	(30,771)
<b>Total Business-Type Activities</b>	<b>319,383</b>	<b>288,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,771)</b>	<b>(30,771)</b>
<b>Total Government</b>	<b>\$ 749,699</b>	<b>\$ 461,331</b>	<b>\$ 10,499</b>	<b>\$ -</b>	<b>(247,098)</b>	<b>(30,771)</b>	<b>(277,869)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
		Property taxes, levied for general purposes			149,555	-	149,555
		Sales tax			82,475	61,924	144,399
		State shared revenue			22,315	-	22,315
		Interest income			112	410	522
		Miscellaneous			48,550	62,975	111,525
		<b>Total General Revenues</b>			<b>303,007</b>	<b>125,309</b>	<b>428,316</b>
		Gain(Loss) on sale of assets			(216)	-	(216)
		<b>Change in Net Position</b>			<b>55,693</b>	<b>94,538</b>	<b>150,231</b>
		<b>Net Position - Beginning of Year - As Restated</b>			<b>870,027</b>	<b>1,335,065</b>	<b>2,205,092</b>
		<b>Net Position - End of Year</b>			<b>\$ 925,720</b>	<b>\$ 1,429,603</b>	<b>\$ 2,355,323</b>

**TOWN OF NORTH, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 257,714
State revenue receivable	4,257
Other receivable	17,313
Property tax receivable	3,571
Delinquent taxes receivable	21,556
<b>TOTAL ASSETS</b>	<b>\$ 304,411</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable and other accrued liabilities	\$ 5,430
Due to state	4,411
Due to other funds	29,293
Total Liabilities	39,134
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	21,556
Total Deferred Inflows of Resources	21,556
Fund Balances:	
Restricted	4,739
Unassigned	238,982
Total Fund Balances	243,721
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCES</b>	<b>\$ 304,411</b>

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>TOTAL FUND BALANCES - GOVERNMENT FUNDS</b>	<b>\$ 243,721</b>
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.	21,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
The cost of capital assets	1,504,797
Accumulated depreciation	(576,994)
Accrued compensated absences	(4,095)
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.	
Net pension liability and deferred inflows and outflows	<u>(263,265)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 925,720</u></u></b>

**TOWN OF NORTH, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>
<b>REVENUES:</b>	
Property and vehicle taxes	\$ 152,466
Licenses and permits	96,562
Police fines	30,902
One Percent Capital Projects Tax	82,475
State shared revenues	22,315
Charges for services	45,255
Grants	10,499
Interest	112
Other	48,496
<b>TOTAL REVENUES</b>	<u>489,082</u>
<b>EXPENDITURES:</b>	
Administration	82,676
Streets and sanitation	78,938
Police Department	210,062
Capital Expenditures	<u>124,490</u>
<b>TOTAL EXPENDITURES</b>	<u>496,166</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER/ (UNDER) EXPENDITURES</b>	(7,084)
<b>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</b>	<u>250,805</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 243,721</u>

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, 2017**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (7,084)**

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	124,543
Depreciation expense	(63,256)

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: (2,911)

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. (216)

Net pension liability represents the proportionate share of the future unfunded costs associated with the Town's participation in the South Carolina Retirement System. 7,155

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	(2,538)
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 55,693**

**TOWN OF NORTH, SOUTH CAROLINA  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017**

	<u>Business-Type Activity Water and Sewer</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and investments	\$ 267,600
Accounts receivable, net	29,570
<b>Total Current Assets</b>	<u>297,170</u>
<b>Non-Current Assets</b>	
<b>Capital Assets</b>	
Non-depreciable	98,826
Capital assets, net of depreciation	1,190,971
<b>Total Non-Current Assets</b>	<u>1,289,797</u>
<b>Total Assets</b>	<u>1,586,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Deferrals	<u>15,718</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	18,256
Other accrued liabilities	2,149
Customer deposits	14,755
<b>Total Current Liabilities</b>	<u>35,160</u>
<b>Non-Current Liabilities</b>	
Net Pension Liability - Note	120,790
<b>Total Non-Current Liabilities</b>	<u>120,790</u>
<b>Total Liabilities</b>	<u>155,950</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Deferrals	<u>17,132</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,289,797
Unrestricted	139,806
<b>Total Net Position</b>	<u>\$ 1,429,603</u>

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, 2017**

	<u>Business-Type Activity Water and Sewer</u>
<b>OPERATING REVENUES:</b>	
Water	\$ 201,888
Sewer	86,724
Other operating revenue	<u>62,975</u>
<b>TOTAL OPERATING REVENUES</b>	<u>351,587</u>
<b>OPERATING EXPENSES:</b>	
Salaries and employee benefits	51,182
Electricity, utilities and telephone	30,455
Materials and supplies	8,875
Chemicals	17,642
Depreciation	56,788
Insurance	5,096
Gas, oil, tires and vehicle repairs	3,676
Contracted services	83,060
Uniforms	236
Postage	1,539
Office supplies	1,506
DHEC permits	5,805
Analysis and sampling	6,779
Repairs and maintenance, engineering and equipment	3,936
Miscellaneous	<u>42,808</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>319,383</u>
<b>OPERATING INCOME (LOSS)</b>	<u>32,204</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
One percent capital project tax	61,924
Interest Income	<u>410</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>62,334</u>
<b>CHANGE IN NET POSITION</b>	94,538
<b>NET POSITION - BEGINNING OF YEAR -AS RESTATED</b>	<u>1,335,065</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,429,603</u>

**TOWN OF NORTH, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activity Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 351,168
Cash Payments to Suppliers for Goods and Services	(199,103)
Cash Payments to Employees for Services	(50,058)
	102,007
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
One percent capital project tax	61,924
Acquisition of Capital Assets	(25,445)
Restatement of Net Postion	85,416
	121,895
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Cash and Cash Equivalents	410
	410
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	410
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	224,312
<b>CASH AND INVESTMENTS - BEGINNING OF YEAR</b>	43,288
<b>CASH AND INVESTMENTS - END OF YEAR</b>	\$ 267,600
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ 32,204
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:	
Depreciation and Amortization	56,788
(Increase) Decrease in Accounts Receivable	(417)
Increase (Decrease) in Accounts Payable	12,310
Increase (Decrease) in Other Accrued Liabilities	575
Increase (Decrease) in Pension Liability accounts	547
	102,007
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 102,007

See Accompanying Notes to the Basic Financial Statements.

**TOWN OF NORTH, SOUTH CAROLINA  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Property and vehicle taxes	\$ 143,000	\$ 143,000	\$ 152,466	\$ 9,466
Licenses and permits	78,900	78,900	96,562	17,662
Police fines	10,000	10,000	30,902	20,902
One percent capital projects tax	100,000	100,000	82,475	(17,525)
State shared revenue	23,300	23,300	22,315	(985)
Charges for services	41,000	41,000	45,255	4,255
Grant income	-	-	10,499	10,499
Interest	50	50	112	62
Other	35,150	35,150	48,496	13,346
<b>Total revenues</b>	<u>431,400</u>	<u>431,400</u>	<u>489,082</u>	<u>57,682</u>
<b>EXPENDITURES</b>				
Administration	96,678	96,678	82,676	14,002
Police Department	230,267	230,267	210,062	20,205
Public Works - Garbage	197,861	197,861	78,938	118,923
Capital Expenditures	-	-	124,490	(124,490)
<b>TOTAL EXPENDITURES</b>	<u>524,806</u>	<u>524,806</u>	<u>496,166</u>	<u>28,640</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (93,406)</u>	<u>\$ (93,406)</u>	<u>\$ (7,084)</u>	<u>\$ 86,322</u>
<b>FUND BALANCE BEGINNING OF YEAR - RESTATED</b>			<u>250,805</u>	
<b>FUND BALANCE END OF YEAR</b>			<u>\$ 243,721</u>	

**TOWN OF NORTH, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<b>Agency Funds</b>
<b>Assets</b>	
Due from general fund	\$ 29,293
Total assets	<u>\$ 29,293</u>
<b>Liabilities</b>	
Funds held in trust	\$ 29,293
Total liabilities	<u>\$ 29,293</u>

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

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**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**

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**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**

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**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**

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**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 system 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**

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**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 are 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 (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 do 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**

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**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 providers, 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 \$57,682. Budgeted expenditures exceeded actual expenditures by \$28,640.

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

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**NOTE 3 – CASH AND INVESTMENTS**

At year-end, the carrying amount of the Town’s deposits and investments was \$525,314 and the bank balance was \$532,761. To reconcile this information to the financial statements, we include the following:

Cash and investments		\$	525,214
Cash on hand			<u>100</u>
<b>Total</b>		<b>\$</b>	<b><u>525,314</u></b>
Cash – Governmental Activities		\$	257,714
Business Type Activities			<u>267,600</u>
		<b>\$</b>	<b><u>525,314</u></b>
Deposits		\$	461,573
Investments			<u>63,741</u>
		<b>\$</b>	<b><u>525,314</u></b>

Of the bank balance of \$489,070 excluding the investment pool funds, \$460,624 is secured by FDIC insurance and \$28,446 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	\$	43,691
Certificates of deposit	15 months		<u>20,050</u>
		<b>\$</b>	<b><u>63,741</u></b>

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, 2017, 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, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
State revenue	\$ 4,257	\$ -	\$ 4,257
Sanitation charges	10,489	-	10,489
Water and sewer billings	-	44,222	44,222
Property taxes	25,127	-	25,127
Other receivables	<u>10,686</u>	<u>-</u>	<u>10,686</u>
Gross receivables	50,559	44,222	94,781
Less, allowance for uncollectibles	<u>(3,862)</u>	<u>(14,652)</u>	<u>(18,514)</u>
Net receivables	<u>\$ 46,697</u>	<u>\$ 29,570</u>	<u>\$ 76,267</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 132,758	\$ -	\$ -	\$ 132,758
Construction in process	<u>6,863</u>	<u>-</u>	<u>(6,863)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>139,621</u>	<u>-</u>	<u>(6,863)</u>	<u>132,758</u>
Capital assets, being depreciated:				
Buildings and structures	988,215	-	-	988,215
Vehicles, furniture and equipment	<u>264,430</u>	<u>131,353</u>	<u>(11,959)</u>	<u>383,824</u>
Total capital assets, being depreciated	<u>1,252,645</u>	<u>131,353</u>	<u>(11,959)</u>	<u>1,372,039</u>
Less accumulated depreciation:				
Buildings and structures	(346,280)	(32,417)	-	(378,697)
Vehicles, furniture and equipment	<u>(179,201)</u>	<u>(30,839)</u>	<u>11,743</u>	<u>(198,297)</u>
Total accumulated depreciation	<u>(525,481)</u>	<u>(63,256)</u>	<u>11,743</u>	<u>(576,994)</u>
Total capital assets, being depreciated, net	<u>727,164</u>	<u>68,097</u>	<u>(216)</u>	<u>795,045</u>
Governmental activities capital assets, net	<u>\$ 866,785</u>	<u>\$ 68,097</u>	<u>\$ (7,079)</u>	<u>\$ 927,803</u>

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

**NOTE 5 – CAPITAL ASSETS (continued)**

**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	2,282,796	18,497	-	2,301,293
Buildings	213,013	-	-	213,013
Vehicles and equipment	244,734	6,948	-	251,682
Total capital assets, being depreciated	<u>2,740,543</u>	<u>25,445</u>	<u>-</u>	<u>2,765,988</u>

Less accumulated depreciation:

Utility plant	(1,335,463)	(37,718)	-	(1,373,181)
Buildings	(84,641)	(5,017)	-	(89,658)
Vehicles and equipment	(98,125)	(14,053)	-	(112,178)
Total accumulated depreciation	<u>(1,518,229)</u>	<u>(56,788)</u>	<u>-</u>	<u>(1,575,017)</u>

Total capital assets, being depreciated, net 1,222,314 (31,343) - 1,190,971

Business-type activities capital assets, net \$ 1,321,140 \$ (31,343) \$ - \$1,289,797

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

Governmental activities:

General government	\$ 14,764
Streets and sanitation	12,588
Police department	<u>35,904</u>

Total depreciation – governmental activities \$ 63,256

Business-type activities:

Water and sewer	\$ 56,788
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Total depreciation – business-type activities \$ 56,788

**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. 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](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

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

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**NOTE 6 – RETIREMENT PLAN (continued)**

*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.

*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 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-

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

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**NOTE 6 – RETIREMENT PLAN (continued)**

*Benefits (continued)*

or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

- **PORS** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or 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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS employer and employee contribution rates, 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 or employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

*Required employee contribution rates<sup>1</sup> for fiscal year 2016-2017 are as follows:*

SCRS

Employee Class Two	8.66%
Employee Class Three	8.66%

PORS

Employee Class Two	9.24%
Employee Class Three	9.24%

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

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**NOTE 6 – RETIREMENT PLAN (continued)**

*Contributions (continued)*

Required employer contribution rates<sup>1</sup> are as follows:

<u>SCRS</u>	
Employer Class Two	11.41%
Employer Class Three	11.41%
Employer Incidental Death Benefit	0.15%
<u>PORS</u>	
Employer Class Two	13.84%
Employer Class Three	13.84%
Employer Incidental Death Benefit	0.20%
Employer Accidental Death Program	0.20%

<sup>1</sup>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 the last three fiscal years were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SCRS</b>			
Employee Contributions	\$ 5,559	\$ 7,707	\$ 8,641
Employer Contributions	7,323	10,304	11,612
Employer Group Life Contributions	<u>96</u>	<u>142</u>	<u>164</u>
<b>Total</b>	<b><u>\$ 12,978</u></b>	<b><u>\$ 18,153</u></b>	<b><u>\$ 20,417</u></b>
<b>PORS</b>			
Employee Contributions	\$ 9,452	\$ 7,479	\$ 9,869
Employer Contributions	14,158	11,416	15,267
Employer Group Life Contributions	<u>408</u>	<u>342</u>	<u>440</u>
<b>Total</b>	<b><u>\$ 24,018</u></b>	<b><u>\$ 19,237</u></b>	<b><u>\$ 25,576</u></b>

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

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

At June 30, 2017, the Town reported a liability of \$208,258 for its proportionate share of the net pension liability for SCRS and a liability of \$170,274 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, 2015, 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, 2016. 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, 2016, the Town's proportion was .000975% and .006710% for SCRS and PORS, respectively.

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

**NOTE 6 – RETIREMENT PLAN (continued)**

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

For the year ended June 30, 2017, the Town recognized pension expense of \$15,405, including \$8,188 for SCRS and \$7,217 for PORS, respectively.

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>SCRS</u></b>		
Differences between expected and actual experience	\$ 2,159	\$ 226
Net difference between projected and actual earnings on pension plan investments	17,521	-
Deferred amounts from changes in proportionate share and differences between Town contributions and proportionate share of contributions	-	29,312
Town contributions subsequent to the measurement date	<u>7,370</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 27,050</u></b>	<b><u>\$ 29,538</u></b>
<b><u>PORS</u></b>		
Differences between expected and actual experience	\$ 2,577	\$ -
Net difference between projected and actual earnings on pension plan investments	19,308	-
Deferred amounts from changes in proportionate share and differences between Town contributions and proportionate share of contributions	-	40,901
Town contributions subsequent to the measurement date	<u>14,568</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 36,453</u></b>	<b><u>\$ 40,901</u></b>

The amount of \$7,370 for SCRS and \$14,568 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, 2018.

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, 2016.

**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)*

<b>Difference between expected and actual experience<sup>1</sup></b>		
	<b><u>SCRS</u></b>	<b><u>PORS</u></b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>
Initial Balance	\$ 6,248	\$ 5,548
Amortized <sup>2</sup> period ending June 30,		
2014	\$ (1,471)	\$ (889)
2015	(1,367)	(932)
2016	(1,477)	(1,150)
2017	(1,477)	(1,150)
2018	(349)	(1,076)
2019	(94)	(240)
2020	(13)	(111)
2021	-	-
Thereafter	-	-
<b>Difference between projected and actual investment earnings<sup>3</sup></b>		
	<b><u>SCRS</u></b>	<b><u>PORS</u></b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>
Initial Balance	\$ 16,760	\$ 18,818
Amortized <sup>2</sup> period ending June 30,		
2014	\$ 3,538	\$ 3,725
2015	575	529
2016	(3,352)	(3,764)
2017	(3,352)	(3,764)
2018	(3,352)	(3,764)
2019	(6,890)	(7,488)
2020	(3,927)	(4,292)
2021	-	-
Thereafter	-	-

<sup>1</sup> 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 years for 6/30/14; 4.164 years for 6/30/15; and 4.116 years for 6/30/16 for SCRS and are 4.856 for 6/30/14; 4.796 for 6/30/15; and 4.665 for 6/30/16 for PORS.

<sup>2</sup> Amount amortized and included in pension expense during measurement period listed.

<sup>3</sup> 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.

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

**NOTE 6 – RETIREMENT PLAN (continued)**

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is provided by PEBA to participating employers based on the certification provided by the Systems' actuary.

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry age normal	Entry age normal
Investment rate of return <sup>1</sup>	7.5%	7.5%
Projected salary increases	3.5% - 12.5% (varies by service) <sup>1</sup>	4.0% - 10.0% (varies by service) <sup>1</sup>
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

<sup>1</sup> Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuation for SCRS and PORS are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters, and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

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

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**NOTE 6 – RETIREMENT PLAN (continued)**

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, 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	\$ 45,356,214,752	\$23,996,362,354	\$ 21,359,852,398	52.9%
PORS	\$ 6,412,510,458	\$ 3,876,035,732	\$ 2,536,474,726	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability 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 & 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, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital markets outlook at the end of the third quarter 2015. 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 revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentages and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

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

**NOTE 6 – RETIREMENT PLAN (continued)**

*Long-term Expected Rate of Return (continued)*

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio <u>Real Rate of Return</u></u>
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
<b>Total Expected Real Return</b>	<b>100.0%</b>		5.10%
Inflation for Actuarial Purposes			2.75%
<b>Total Expected Nominal Return</b>			<b>7.85%</b>

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all 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 total pension liability.

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

**NOTE 6 – RETIREMENT PLAN (continued)**

*Sensitivity Analysis*

The following table presents the Town’s proportionate share of the collective net pension liability calculated using the discount rate of 7.50 percent, as well as what the Town’s proportionate share of the employers’ net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

<u>System</u>	<u>1.00% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.00% Increase (8.50%)</u>
SCRS	\$ 259,797	\$ 208,258	\$ 165,355
PORS	\$ 223,058	\$ 170,274	\$ 122,692

*Payables to the Pension Plan*

As of June 30, 2017, the Town had \$-0- in payables outstanding to the pension plans for its legally required contributions.

*Additional Financial and Actuarial Information*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems’ separately issued Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for SCRS and PORS. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

**NOTE 7 – FUND BALANCE / NET POSITION RESTATEMENT**

Fund balances and net position for June 30, 2016 were restated as follows:

	<u>Total Net Position</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, June 30, 2016	\$ 848,925	\$ 1,331,700
To adjust for beginning delinquent tax receivable	24,467	-
To adjust for pension liability allocation	82,051	(82,051)
To adjust for transfers between funds in prior years	<u>(85,416)</u>	<u>85,416</u>
Balance restated at June 30, 2016	<u>\$ 870,027</u>	<u>\$ 1,335,065</u>
		<u>General Fund</u>
Balance, June 30, 2016		\$ 336,221
To adjust for transfer between funds in prior years		<u>(85,416)</u>
Balance restated at June 30, 2016		<u>\$ 250,805</u>

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

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**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 – SUBSEQUENT EVENTS**

A USDA grant has been awarded in the amount of \$35,300 for a police car.

\$15,000 in capital projects penny sales tax funds will be received for Town projects for recreation and \$125,845 for Town projects related to the Water and Sewer improvements..

Subsequent events were evaluated through December 7, 2017, 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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Town's proportion of the net pension liability (asset)	0.000975%	0.0011%	0.0012%	0.0012%	NA*	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset)	\$ 208,258	\$ 215,448	\$ 207,805	\$ 216,493	NA*	NA*	NA*	NA*	NA*	NA*
Town's covered-employee payroll	\$ 94,446	\$ 94,446	\$ 106,528	\$ 109,623	NA*	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	220.50%	228.12%	195.07%	197.49%	NA*	NA*	NA*	NA*	NA*	NA*
Plan fiduciary net position as a percentage of the total pension liability	52.90%	56.99%	59.92%	56.39%	NA*	NA*	NA*	NA*	NA*	NA*
<b>PORS</b>										
Town's proportion of the net pension liability (asset)	0.00671%	0.0092%	0.0092%	0.0092%	NA*	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset)	\$ 170,274	\$ 199,860	\$ 175,744	\$ 190,299	NA*	NA*	NA*	NA*	NA*	NA*
Town's covered-employee payroll	\$ 85,576	\$ 85,578	\$ 113,550	\$ 110,408	NA*	NA*	NA*	NA*	NA*	NA*
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.97%	233.54%	154.77%	172.36%	NA*	NA*	NA*	NA*	NA*	NA*
Plan fiduciary net position as a percentage of the total pension liability	60.40%	64.57%	67.55%	62.98%	NA*	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, 2016.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>SCRS</b>										
Contractually required contribution	\$ 10,446	\$ 10,446	\$ 11,612	\$ 11,620	NA*	NA*	NA*	NA*	NA*	NA*
Contributions in relation to the contractually required contribution	(10,446)	(10,446)	(11,612)	(11,620)	NA*	NA*	NA*	NA*	NA*	NA*
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 94,446	\$ 94,446	106,528	109,623	NA*	NA*	NA*	NA*	NA*	NA*
Contributions as a percentage of covered-employee payroll	11.06%	11.06%	10.90%	10.60%	NA*	NA*	NA*	NA*	NA*	NA*
<b>PORS</b>										
Contractually required contribution	\$ 11,758	\$ 11,759	15,267	14,177	NA*	NA*	NA*	NA*	NA*	NA*
Contributions in relation to the contractually required contribution	(11,758)	(11,759)	(15,267)	(14,177)	NA*	NA*	NA*	NA*	NA*	NA*
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 85,576	\$ 85,578	113,550	110,408	NA*	NA*	NA*	NA*	NA*	NA*
Contributions as a percentage of covered-employee payroll	13.74%	13.74%	13.45%	12.84%	NA*	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, 2017**

**COURT FINES:**

Court Fines Collected	\$ 24,450
Court Fines Retained by Town	<u>24,450</u>
 Court Fines Remitted to the State Treasurer	 <u><u>\$ -</u></u>

**COURT ASSESSMENTS:**

Court Assessments Collected	\$ 27,481
Court Assessments Retained by Town	<u>3,000</u>
 Court Assessments Remitted to the State Treasurer	 <u><u>\$ 24,481</u></u>

**COURT SURCHARGES:**

Court Surcharges Collected	\$ 15,914
Court Surcharges Retained by Town	<u>1,324</u>
 Court Surcharges Remitted to the State Treasurer	 <u><u>\$ 14,590</u></u>

**VICTIMS SERVICES:**

Court Assessments Allocated to Victims Services	\$ 3,000
Court Surcharges Allocated to Victims Services	<u>1,324</u>
 Funds Allocated to Victims Services	 4,324
Interest earned	9
Victims Services Expenditures	<u>(4,390)</u>
 Funds Available For Carryforward	 (57)
Carryforward - Beginning of Year-As restated	<u>29,350</u>
 Carryforward - End of Year	 <u><u>\$ 29,293</u></u>

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

To the 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, 2017, 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 December 7, 2017.

### 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.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(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  
December 7, 2017