

TOWN OF YEMASSEE, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED AUGUST 31, 2018

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF YEMASSEE, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED AUGUST 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of Town Council
Town of Yemassee, South Carolina
101 Town Circle, Post Office Box 577
Yemassee, South Carolina 29945

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Yemassee, South Carolina (the "Town") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 4 - 9, the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 37, and the Schedule of South Carolina Retirement Systems Contributions on page 38 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's basic financial statements. The combining non-major fund financial statements, and Schedule of Court Fines, Fees, Assessments and Surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019 on our consideration of the Town'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's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina

February 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mayor and Town Clerk of the Town of Yemassee 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 August 31, 2018.

FINANCIAL HIGHLIGHTS

The Governmental Activity assets of the Town exceeded its combined liabilities at the end of the fiscal year by \$717,355(net position). Of this amount, \$(88,723) was unrestricted.

The Governmental Activities Revenues and other financial sources totaled \$1,409,592 and expenses totaled \$1,533,873. Accordingly, combined revenues exceeded expenses by \$(124,281).

At the end of fiscal year 2018, the governmental funds, the restricted and spendable fund balance was \$144,673, and the unassigned fund balance was \$272,056. Accordingly, \$272,056 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$272,056 for the General Fund, the Town's principal operating fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in the 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 detailing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. (e.g. 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).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities).

The governmental activities of the Town include administration, police, fire, streets and sanitation, recreation, community development, non-departmental and interest on long-term debt.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 10 - 11 of this document.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as government-wide financial 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 the focus of 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 financial 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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund only since no other governmental funds is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. The Town adopts an annual operating budget for the General fund.

The basic governmental fund financial statements are listed on pages 12 - 16 of this document.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 17 - 34 of this document.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2018 financial statements are the 16th consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2018, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue 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. The Town's assets exceeded liabilities by \$717,355 at the close of fiscal year 2018. Net position is reported in three categories:

Net investment in capital assets	\$ 661,405
Restricted net position	144,673
Unrestricted net position	(88,723)
	<u>\$ 717,355</u>

The largest portion of the Town's net position (92 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to citizen customers; 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.

The following tables present a summary of the Town's Statement of Net Position as of August 31, 2018 and 2017:

Town of Yemassee's Condensed Statement of Net Position

	Governmental Activities		
	August 31, 2018	August 31, 2017	Change
Current and other assets	\$ 578,573	\$ 519,662	\$ 58,911
Capital assets	732,812	822,097	(89,285)
Total assets	<u>1,311,385</u>	<u>1,341,759</u>	<u>(30,374)</u>
Deferred pension outflows	527,238	655,235	(127,997)
Total assets and deferred outflows	<u>1,838,623</u>	<u>1,996,994</u>	<u>(158,371)</u>
Long-term liabilities outstanding	847,706	915,199	(67,493)
Other liabilities	92,488	60,007	32,481
Total liabilities	<u>940,194</u>	<u>975,206</u>	<u>(35,012)</u>
Deferred pension inflows	181,074	180,152	922
Total liabilities and deferred inflows of resources	<u>1,121,268</u>	<u>1,155,358</u>	<u>(34,090)</u>
Net position:			
Net investment in capital assets	661,405	718,441	(57,036)
Restricted	144,673	138,907	5,766
Unrestricted	(88,723)	(15,712)	(73,011)
Total net position	<u>\$ 717,355</u>	<u>\$ 841,636</u>	<u>\$ (124,281)</u>

The following table is the statement of revenues and expenses for fiscal years 2018 and 2017:

Town of Yemassee's Statement of Activities - Year Ended August 31,

	Governmental Activities		
	2018	2017	Change
Revenue:			
Charges for services	\$ 726,216	\$ 627,733	\$ 98,483
Capital grants and contributions	77,467	88,070	(10,603)
General revenues	605,909	641,227	(35,318)
Total revenue	<u>1,409,592</u>	<u>1,357,030</u>	<u>52,562</u>
Expenses:			
General government	487,201	346,136	141,065
Streets	275,789	157,889	117,900
Police	682,842	782,800	(99,958)
Culture and recreation	83,658	29,387	54,271
Interest on long-term debt	4,383	31,427	(27,044)
Total expenses	<u>1,533,873</u>	<u>1,347,639</u>	<u>186,234</u>
Increase in net position	<u>\$ (124,281)</u>	<u>\$ 9,391</u>	<u>\$ (133,672)</u>

Governmental activities. Governmental activities net position decreased by \$124,281 during the fiscal year. Governmental activities revenues and expenses showed an increase when compared to fiscal year 2017. The increase in spending is the result of increase in administration department and for victim assistance.

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.

At the end of fiscal year 2018, the Town's governmental funds reported an ending fund balance of \$416,729. The Town's general fund reported an ending balance of \$272,056. The General Fund represents 65% of the total fund balance of all governmental funds.

GENERAL FUND HIGHLIGHTS

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

• \$14,124	property taxes increase	7.17 %	increase
• \$18,141	license, permits and franchise fees increase	15.20 %	increase
• \$(34,264)	other shared revenue decrease	(17.16) %	decrease
• \$85,165	police fines increase	17.70 %	decrease
• \$(12,895)	miscellaneous income decrease	4.67 %	increase

TOTAL SELECTED ACTUAL REVENUE INCREASE \$18,982 (1.60%)

While property tax revenues continue to steadily increase, an increase in police related fines are due to the department being fully staffed during the year. The 15.20% increase in license, permits and franchise fees is best characterized by better reporting and collection by staff and municipal association collection assistance. The 17.16% decrease in other shared income is mostly accounted for by less collections of sales tax.

Town of Yemassee's Capital Assets Net of Accumulated Depreciation - 2018

	<u>Governmental Activities</u>
Land	\$ 92,810
Buildings and improvements	477,218
Equipment	28,315
Vehicles	134,469
	<u>\$ 732,812</u>

Debt Administration. At the end of fiscal year 2018, the Town of Yemassee had three capital leases outstanding totaling \$89,394.

Town of Yemassee's Outstanding Debt

	<u>Governmental Activities</u>
Capital leases	\$ 71,407
	<u>\$ 71,407</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be steady. General Fund property tax revenues continue to gradually increase due to the increased value of the property tax base and more commercial development moving into the general area.

The Town continues to pay off large portions of general long-term debt. Additionally, the Town entered into two capital lease agreements during the year, for police vehicles.

In general, the Town should, from time to time, analyze all rates, charges, and fees to determine the acceptable level of service and to increase such revenues and/or reduce appropriate expenditures to fully fund the General Fund.

REQUESTS FOR INFORMATION

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

Town Clerk
Town of Yemassee
101 Town Circle, P.O. Box 577
Yemassee, South Carolina 29945

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF NET POSITION

AUGUST 31, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 553,493
Receivables, net of allowances	25,080
Capital assets:	
Not being depreciated	92,810
Being depreciated, net	640,002
Total assets	<u>1,311,385</u>
Deferred outflows of resources	
Pension plan	527,238
Total assets and deferred outflows of resources	<u>1,838,623</u>
Liabilities	
Accounts payable and accrued expenses	67,847
Pension liabilities	800,940
Long-term liabilities:	
Due within one year	24,641
Due in more than one year	46,766
Total liabilities	<u>940,194</u>
Deferred inflows of resources	
Pension plan	181,074
Total liabilities and deferred inflows of resources	<u>1,121,268</u>
Net position	
Net investment in capital assets	661,405
Restricted for:	
Drug funds	767
Hospitality and tourism	17,834
Victims assistance	118,248
Festivals	7,824
Unrestricted - unfunded pension obligation	(454,776)
Unrestricted	366,053
Total net position	<u><u>\$ 717,355</u></u>

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2018

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services			Governmental Activities	Total
Primary government:						
Governmental activities						
General government	\$ 487,201	\$ -	\$ -	\$ -	\$ (487,201)	\$ (487,201)
Streets department	275,789	81,021	-	-	(194,768)	(194,768)
Police department	682,842	645,195	77,467	77,467	39,820	39,820
Nondepartmental	83,658	-	-	-	(83,658)	(83,658)
Interest on long-term debt	4,383	-	-	-	(4,383)	(4,383)
Total governmental activities	\$ 1,533,873	\$ 726,216	\$ 77,467	\$ 77,467	(730,190)	(730,190)
General revenues and transfers:						
General revenues:						
Property taxes					197,296	197,296
Hospitality taxes					31,053	31,053
Licenses, permits and franchise fees					137,511	137,511
State aid					165,461	165,461
Miscellaneous					111,908	111,908
Disposition of capital assets					(37,320)	(37,320)
Total general revenues and transfers					605,909	605,909
Change in net position					(124,281)	(124,281)
Net position, at beginning of year					841,636	841,636
Net position, end of year					\$ 717,355	\$ 717,355

See accompanying notes.

TOWN OF YEMASSEE, SOUTH CAROLINA
BALANCE SHEET- GOVERNMENTAL FUNDS

AUGUST 31, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 553,493	\$ -	\$ 553,493
Receivables	25,080	-	25,080
Due from other funds	-	144,673	144,673
Total assets	<u>\$ 578,573</u>	<u>\$ 144,673</u>	<u>\$ 723,246</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 67,847	\$ -	\$ 67,847
Unearned revenues	93,997	-	93,997
Due to other funds	144,673	-	144,673
Total liabilities	<u>306,517</u>	<u>-</u>	<u>306,517</u>
Fund balances			
Restricted	-	144,673	144,673
Unassigned	272,056	-	272,056
Total fund balances	<u>272,056</u>	<u>144,673</u>	<u>416,729</u>
Total liabilities, deferred outflows of resources and fund balances	<u>\$ 578,573</u>	<u>\$ 144,673</u>	<u>\$ 723,246</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

AUGUST 31, 2018

Fund balances - total governmental funds		\$ 416,729
Amounts reported for governmental activities in the Statement of Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, cost	\$ 1,428,823	
Accumulated depreciation	<u>(696,011)</u>	
		732,812
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Municipal court fines held pending trial		93,997
Long-term liabilities, including notes payable and net pension liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:		
Net pension liabilities	(800,940)	
Capital lease payable	<u>(71,407)</u>	
		<u>(872,347)</u>
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	527,238	
Deferred inflows of resources related to pensions	<u>(181,074)</u>	
		<u>346,164</u>
Net position of governmental activities		<u>\$ 717,355</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED AUGUST 31, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Property, hospitality and vehicle taxes	\$ 211,043	\$ 31,053	\$ 242,096
Licenses and permits	137,511	-	137,511
Police fines	566,246	62,684	628,930
State shared revenues	165,461	-	165,461
Charges for services	86,741	-	86,741
Rental	15,425	-	15,425
Grant income	77,467	-	77,467
Other	81,821	14,662	96,483
Total revenue	<u>1,341,715</u>	<u>108,399</u>	<u>1,450,114</u>
Expenditures			
Administrative	311,377	6,838	318,215
Police department	524,912	25,882	550,794
Streets department	266,195	-	266,195
Municipal court	170,526	-	170,526
Town buildings	1,316	-	1,316
Recreation department	13,920	-	13,920
Other	490	69,248	69,738
Debt service	42,387	-	42,387
Total expenditures	<u>1,331,123</u>	<u>101,968</u>	<u>1,433,091</u>
Excess of revenues over expenditures	<u>10,592</u>	<u>6,431</u>	<u>17,023</u>
Other financing sources			
Proceeds from sale of capital assets	5,001	-	5,001
Transfers in	1,239	574	1,813
Transfers out	(574)	(1,239)	(1,813)
Total other financing sources	<u>5,666</u>	<u>(665)</u>	<u>5,001</u>
Net change in fund balance	16,258	5,766	22,024
Fund balance, beginning of year	<u>255,798</u>	<u>138,907</u>	<u>394,705</u>
Fund balance, end of year	<u>\$ 272,056</u>	<u>\$ 144,673</u>	<u>\$ 416,729</u>

See accompanying notes.

TOWN OF YEMASSEE, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2018

Net change in fund balance - total governmental funds	\$ 22,024
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Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense in the period.

Acquisition of capital assets	\$ 32,839	
Depreciation	(79,803)	
Disposition of capital assets	<u>(42,321)</u>	
		(89,285)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

Property taxes receivable	(13,747)	
Charges for services	(5,720)	
Municipal court fines held pending trial	<u>16,265</u>	
		(3,202)

Net change in pension liability for current year. This is an expenditure for governmental funds and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Net pension liabilities	42,852	
Deferred outflows of resources related to pensions	(127,997)	
Deferred inflows of resources related to pensions	<u>(922)</u>	
		(86,067)

Repayment of loans principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

32,249

Change in net position of governmental activities	<u>\$ (124,281)</u>
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TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED AUGUST 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property and vehicle taxes	\$ 195,000	\$ 195,000	\$ 211,043	\$ 16,043
Licenses and permits	109,200	109,200	137,511	28,311
Police fines	529,702	529,702	566,246	36,544
State shared revenues	176,498	176,498	165,461	(11,037)
Charges for services	85,000	85,000	86,741	1,741
Rental	5,213	5,213	15,425	10,212
Grant income	27,198	27,198	77,467	50,269
Other	8,600	8,600	81,821	73,221
Total revenue	<u>1,136,411</u>	<u>1,136,411</u>	<u>1,341,715</u>	<u>205,304</u>
Expenditures				
Administrative	251,450	251,450	311,377	(59,927)
Police department	497,745	497,745	524,912	(27,167)
Streets department	181,600	181,600	266,195	(84,595)
Municipal court	126,116	126,116	170,526	(44,410)
Town buildings	3,000	3,000	1,316	1,684
Recreation department	7,500	7,500	13,920	(6,420)
Other	27,000	27,000	490	26,510
Debt service	42,000	42,000	42,387	(387)
Total expenditures	<u>1,136,411</u>	<u>1,136,411</u>	<u>1,331,123</u>	<u>(194,712)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>10,592</u>	<u>10,592</u>
Other financing sources				
Proceeds from capital leases	-	-	5,001	5,001
Transfers in	-	-	1,239	1,239
Transfer out	-	-	(574)	(574)
Total other financing sources	<u>-</u>	<u>-</u>	<u>5,666</u>	<u>5,666</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>16,258</u>	<u>\$ 16,258</u>
Fund balance, beginning of year			<u>255,798</u>	
Fund balance, end of year			<u>\$ 272,056</u>	

See accompanying notes.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

1. Summary of Significant Accounting Policies

The Town of Yemassee, 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, health, culture-recreation, public improvements, planning and zoning 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.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. Taxes and other non-exchange transactions primarily finance the governmental activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental 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 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 funds. The Town has no other funds than governmental funds.

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TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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 only has one category of funds – governmental.

Governmental Funds

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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide 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 funds. 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.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

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.

Budgets

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.

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For 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.

Accounts Receivable

The accounts receivable of the General Fund consists of unpaid user charges for the garbage and solid waste collection program of the Town. This service is billed by and the collections are remitted from the Lowcountry Regional Water System. 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 Hampton County and Beaufort 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 (motor vehicles, boats, motors, etc.) taxes are levied by the county on a monthly basis.

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.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

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

Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. Expenditures materially extending the life of capital assets are capitalized. Capital assets are depreciated over their useful life, using the straight-line depreciation method. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Donated capital assets are valued at their estimated fair value on the date donated.

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

Equipment	3 - 10 years
Vehicles	4 - 10 years
Buildings	15 - 50 years

Compensated Absences

The Town's policy allows employees to accumulate unused sick leave to a maximum of eighteen workweeks and vacation leave up to a maximum of six workweeks. Upon termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the Town's governmental activities is recorded as an expense and liability in the governmental fund. The estimated liabilities include required salary-related payments.

Long-Term Obligations

In the government-wide financial statements, and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. **Summary of Significant Accounting Policies (continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. The Town currently reports deferred outflows of resources in the amount of \$527,238 as of August 31, 2018.

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. The Town currently reports deferred inflows of resources in the amount of \$181,074 as of August 31, 2018.

Net Position/Fund Balances

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

Invested in capital assets, net of related debt – 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.

The Town reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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 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.

Fund balance is reported as nonspendable if it is in the form of that cannot be used to satisfy current obligations. The Town has nonspendable fund balance in the form of mortgages and notes receivable in its community development revolving loan program.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. The Town has restricted fund balance in the form of amounts held that can only be used for community development revolving loans and victims' assistance programs.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons 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 \$205,304. Actual expenditures exceeded budgeted expenditures by \$194,712.

3. Deposits and Investments

Credit Risk – The town has an investment policy that limits investment types to those approved by the South Carolina Code of Laws to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political subdivisions, certificates of deposit where the certificates are collaterally insured by securities described above held by a third part as escrow agent or custodian of a market value not less than the amount of certificates of deposits so secured including interest, or repurchase agreements when collateralized by securities set forth above.

Interest Rate Risk – In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to short-term investments in South Carolina Local Investment Pool.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal investment policy to address custodial credit risk. The town has a deposit policy for custodial credit risk. As of August 31, 2018, the book balance for cash was \$553,493 the bank balances were \$530,638. Of this amount, \$250,000 was covered by FDIC insurance coverage and the balance of \$280,638 was adequately collateralized in accordance with state law.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. Receivables

Receivables at August 31, 2018 consist of the following:

Accounts receivable:

State of South Carolina (merchants' inventory tax and local options sales tax)	\$ 5,756
Hampton County (property tax)	4,159
Lowcountry Regional Water System	13,442
Other receivables	1,723
Gross receivables	<u>25,080</u>
Less, allowance for uncollectibles	-
Net receivables	<u><u>\$ 25,080</u></u>

5. Capital Assets

Capital asset activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 92,810	\$ -	\$ -	\$ 92,810
Total capital assets, not being depreciated	<u>92,810</u>	<u>-</u>	<u>-</u>	<u>92,810</u>
Capital assets, being depreciated				
Buildings and improvements	716,866	-	-	716,866
Equipment and machinery	213,443	-	(38,620)	174,823
Vehicles	566,592	32,839	(155,107)	444,324
Total capital assets, being depreciated	<u>1,496,901</u>	<u>32,839</u>	<u>(193,727)</u>	<u>1,336,013</u>
Less accumulated depreciation for:				
Buildings and improvements	(225,917)	(13,730)	-	(239,647)
Equipment and machinery	(205,793)	(50,876)	38,333	(218,336)
Vehicles	(335,904)	(15,197)	113,073	(238,028)
Total accumulated depreciation	<u>(767,614)</u>	<u>(79,803)</u>	<u>151,406</u>	<u>(696,011)</u>
Total capital assets, being depreciated, net	<u>729,287</u>	<u>(46,964)</u>	<u>(42,321)</u>	<u>640,002</u>
Governmental activities capital assets, net	<u><u>\$ 822,097</u></u>	<u><u>\$ (46,964)</u></u>	<u><u>\$ (42,321)</u></u>	<u><u>\$ 732,812</u></u>

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

General government	\$ 20,738
Public safety	49,279
Public works	8,921
Municipal court	865
Total depreciation - governmental activities	<u>\$ 79,803</u>

6. Long-Term Debt (continued)

Capital Leases

The Town has the following capital leases outstanding as of August 31, 2018:

Capital lease dated March 18, 2016, in the original amount of \$29,583 payable in annual installments of \$6,537. This lease is collateralized by Police Dodge Charger and matures on March 18, 2020.	\$ 12,112
Capital lease dated September 7, 2016, in the original amount of \$30,747 payable in annual installments of \$6,941. This lease is collateralized by a Ford Sedan and matures on September 7, 2020.	18,400
Capital lease dated April 1, 2017, in the original amount of \$68,261 payable in annual installments of \$14,987. This lease is collateralized by two Police Dodge Chargers and matures on April 1, 2021.	<u>40,895</u>
Total capital leases	<u>\$ 71,407</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Long-Term Debt (continued)

Debt service requirements to maturity for the capital leases are as follows:

<u>Year Ending August 31,</u>	<u>Total</u>
2019	\$ 28,465
2020	28,465
2021	<u>21,928</u>
	78,858
Less: Interest factor	<u>(7,451)</u>
Total	<u>\$ 71,407</u>

Changes in long-term liabilities for the year ended August 31, 2018 are as follows:

	<u>September 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>August 31, 2018</u>	<u>Due within One year</u>
Note payable	\$ 14,262	\$ -	\$ (14,262)	\$ -	\$ -
Capital leases	<u>89,394</u>	<u>-</u>	<u>(17,987)</u>	<u>71,407</u>	<u>24,641</u>
Total governmental activities	<u>\$ 103,656</u>	<u>\$ -</u>	<u>\$ (32,249)</u>	<u>\$ 71,407</u>	<u>\$ 24,641</u>

7. Pension Plan

South Carolina Retirement System

Substantially all employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. The CAFR is available online at www.retirement.sc.gov, or a copy may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service.

For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 13.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41%, and .15% for the incidental death program. The Town's actual retirement contributions to the SCRS for the years ended August 31, 2018, 2017 and 2016 are as follows:

<u>Fiscal Year Ended</u>	<u>Retirement</u>	
	<u>Rate</u>	<u>Contribution</u>
2018	13.41%	\$ 16,923
2017	11.41%	14,808
2016	10.91%	9,906

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment.

This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Effective July 1, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 16.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84% and .20% for the incidental death program. The Town's actual retirement contributions to the PORS for the years ended August 31, 2018, 2017 and 2016 are as follows:

<u>Fiscal Year Ended</u>	<u>Retirement</u>	
	<u>Rate</u>	<u>Contribution</u>
2018	15.84%	\$ 46,621
2017	13.84%	41,549
2016	13.34%	34,440

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At August 31, 2018 the Town reported \$246,727 and \$554,213 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS and the PORS defined benefit pension plans were determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Town's SCRS and PORS proportion was .001096% and .02023%. For the year ended August 31, 2018 the Town recognized pension expenses of \$17,569 and \$68,498 for SCRS and PORS.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At August 31, 2018 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	SCRS	PORS
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 1,100	\$ 4,942
Assumption changes	14,443	52,600
Net difference between project and actual investment earnings	6,887	19,749
Differences between employer contributions and proportionate share	96,242	267,731
Contributions made from measurement date to August 31, 2018	16,923	46,621
Total deferred outflows of resources	135,595	391,643
Deferred Inflows of Resources		
Differences between expected and actual experience	137	-
Differences between employer contributions and proportionate share	42,893	138,044
Total deferred inflows of resources	43,030	138,044
Net deferred outflows/(inflows)	\$ 92,565	\$ 253,599

\$16,923 and \$46,621 for SCRS and PORS respectively 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 August 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Net
2019	\$ (14,201)	\$ (66,575)	\$ (80,776)
2020	(48,697)	(82,732)	(131,429)
2021	(14,460)	(67,592)	(82,052)
2022	1,716	9,921	11,637
	<u>\$ (75,642)</u>	<u>\$ (206,978)</u>	<u>\$ (282,620)</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The total pension liabilities in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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 post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumption used in the determination of the June 30, 2018, SCRS and PORS valuations are as follows:

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed using a building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.60%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	92.00%	0.02%
Total Expected Real Return	100%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

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, the plans' 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 YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The following table represents the Town's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.25 percent, as well as what the Town's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 317,998	\$ 246,727	\$ 203,483
PORS	748,182	554,213	401,279
	<u>\$ 1,066,180</u>	<u>\$ 800,940</u>	<u>\$ 604,762</u>

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the Town have elected to participate. The multiple-employers plans, create under Internal Revenue Sections 457, 401(k), and 403(b), are administrated by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

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.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Contingent Liabilities

The Town is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arose, in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Town. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year-end.

10. Subsequent Events

Subsequent events were evaluated through February 18, 2019, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

TOWN OF YEMASSEE, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR
GOVERNMENTAL FUNDS

AUGUST 31, 2018

	<u>Drug Fund</u>	<u>Local Hospitality Tax Fund</u>	<u>Local Accommodations Tax Fund</u>	<u>Victims Assistance Fund</u>	<u>Festivals Fund</u>	<u>Total</u>
Assets						
Due from other funds	\$ 767	\$ 6,980	\$ 10,854	\$ 118,248	\$ 7,824	\$ 144,673
Total assets	<u>767</u>	<u>6,980</u>	<u>10,854</u>	<u>118,248</u>	<u>7,824</u>	<u>144,673</u>
Liabilities and fund balances						
Fund Balances						
Restricted	767	6,980	10,854	118,248	7,824	144,673
Total fund balances	<u>767</u>	<u>6,980</u>	<u>10,854</u>	<u>118,248</u>	<u>7,824</u>	<u>144,673</u>
Total liabilities and fund balances	<u>\$ 767</u>	<u>\$ 6,980</u>	<u>\$ 10,854</u>	<u>\$ 118,248</u>	<u>\$ 7,824</u>	<u>\$ 144,673</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR
GOVERNMENTAL FUNDS

YEAR ENDED AUGUST 31, 2018

	Drug Fund	Local Hospitality Tax Fund	Local Accommodations Tax Fund	Victims Assistance Fund	Festivals Fund	Total
Revenues						
Fines, fees, assessments and surcharges	\$ -	\$ -	\$ -	\$ 62,684	\$ -	\$ 62,684
Taxes	-	23,449	7,604	-	-	31,053
Other	-	-	-	-	14,662	14,662
Total revenues	-	23,449	7,604	62,684	14,662	93,737
Expenditures						
Hospitality and tourism	-	21,201	15,208	-	-	36,409
General government	-	-	-	-	6,838	6,838
Public safety	7,399	-	-	18,483	-	25,882
Capital outlay	-	-	-	32,839	-	32,839
Total expenditures	7,399	21,201	15,208	51,322	6,838	101,968
Excess (deficit) of revenues over (under) expenditures	(7,399)	2,248	(7,604)	11,362	7,824	6,431
Other financing sources						
Transfers in	-	-	-	574	-	574
Transfers out	(1,239)	-	-	-	-	(1,239)
Total other financing sources	(1,239)	-	-	574	-	(665)
Net change in fund balances	(8,638)	2,248	(7,604)	11,936	7,824	5,766
Fund balances, beginning	9,405	4,732	18,458	106,312	-	138,907
Fund balances, ending	\$ 767	\$ 6,980	\$ 10,854	\$ 118,248	\$ 7,824	\$ 144,673

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
South Carolina Retirement System					
Town's proportion of the net pension liability	0.001096%	0.001041%	0.000115%	0.000115%	0.000115%
Town's proportionate share of the net pension liability	\$ 246,727	\$ 222,356	\$ 21,810	\$ 21,810	\$ 21,810
Town's covered payroll	\$ 125,367	\$ 119,323	\$ 90,347	\$ 130,054	\$ 127,684
Town's proportionate share of the net pension liability as a percentage of its covered payroll	196.80%	186.35%	24.14%	16.77%	17.08%
Plan fiduciary net position as a percentage of the total pension liability	66.22%	52.91%	56.99%	56.99%	59.92%
South Carolina Police Officers Retirement System					
Town's proportion of the net pension liability	0.0202%	0.0245%	0.0023%	0.0023%	0.0023%
Town's proportionate share of the net pension liability	\$ 554,213	\$ 621,436	\$ 50,346	\$ 50,346	\$ 50,346
Town's covered payroll	\$ 291,399	\$ 290,284	\$ 256,457	\$ 240,931	\$ 249,004
Town's proportionate share of the net pension liability as a percentage of its covered payroll	190.19%	214.08%	19.63%	20.90%	20.22%
Plan fiduciary net position as a percentage of the total pension liability	51.02%	60.44%	64.57%	64.57%	67.55%

* - The amounts presented for each fiscal year were determined as of July 1 of five years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2016. As such, only the last five years of information is available.

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System					
Contractually required contributions	\$ 16,923	\$ 14,808	\$ 9,906	\$ 2,605	\$ 8,629
Contributions in relation to the contractually required contribution	(16,923)	(14,808)	(9,906)	(2,605)	(8,629)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 125,367	\$ 130,761	\$ 90,780	\$ 24,240	\$ 82,233
Contributions as a percentage of covered payroll	13.50%	11.32%	10.91%	10.75%	10.49%
South Carolina Police Officers Retirement System					
Contractually required contributions	\$ 46,624	\$ 47,650	\$ 34,440	\$ 16,087	\$ 14,738
Contributions in relation to the contractually required contribution	(46,624)	(47,650)	(34,440)	(16,087)	(14,738)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 291,399	\$ 344,311	\$ 258,157	\$ 123,668	\$ 118,020
Contributions as a percentage of covered payroll	16.00%	13.84%	13.34%	13.01%	12.49%

* - The amounts presented for each fiscal year were determined as of July 1 of five years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2016. As such, only the last five years of information is available.

OTHER FINANCIAL INFORMATION

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED AUGUST 31, 2018

For the Month of:

	September	October	November	December	January	February	March	April	May	June	July	August	Total
Court Fines													
Court Fines Collected	\$ 53,382	\$ 47,807	\$ 49,046	\$ 58,128	\$ 43,169	\$ 52,391	\$ 51,740	\$ 55,617	\$ 45,342	\$ 26,518	\$ 31,989	\$ 35,460	\$ 550,589
Court Fines Retained by Town	53,382	47,807	49,046	58,128	43,169	52,391	51,740	55,617	45,342	26,518	31,989	35,460	550,589
Court Fines Remitted to State Treasurer	-	-	-	-	-	-	-	-	-	-	-	-	-
Court Assessments													
Court Assessments Collected	51,042	46,027	46,943	55,638	41,383	50,760	49,667	53,250	43,764	25,600	31,220	33,615	528,909
Court Assessments Retained by Town	5,697	5,137	5,239	6,209	4,618	5,665	5,546	5,943	4,884	2,857	3,488	3,751	59,034
Court Assessments Remitted to State Treasurer	45,345	40,890	41,704	49,429	36,765	45,095	44,121	47,307	38,880	22,743	27,732	29,864	469,875
Court Surcharges													
Court Surcharges Collected	20,476	16,766	17,054	22,349	15,584	19,592	20,465	20,763	17,764	9,730	11,281	13,091	204,915
Court Surcharges Retained by Town	417	250	308	440	193	438	205	285	395	214	138	367	3,650
Court Surcharges Remitted to State Treasurer	20,059	16,516	16,746	21,909	15,391	19,154	20,260	20,478	17,369	9,516	11,143	12,724	201,265
Victim Services													
Court Assessments Allocated to Victim Services	5,697	5,137	5,239	6,209	4,618	5,665	5,546	5,943	4,884	2,857	3,488	3,751	59,034
Court Surcharges Allocated to Victim Services	417	250	308	440	193	438	205	285	395	214	138	367	3,650
Funds Allocated to Victim Services	6,114	5,387	5,547	6,649	4,811	6,103	5,751	6,228	5,279	3,071	3,626	4,118	62,684
Funds Allocated to Victim Services	6,114	5,387	5,547	6,649	4,811	6,103	5,751	6,228	5,279	3,071	3,626	4,118	62,684
Victim Services Expenditures	4	534	16,157	1,750	4	4	4	4	4	4	4	32,849	51,322
Expenditures in Excess of Available Funds	\$ 6,110	\$ 4,853	\$ (10,610)	\$ 4,899	\$ 4,807	\$ 6,099	\$ 5,747	\$ 6,224	\$ 5,275	\$ 3,067	\$ 3,622	\$ (28,731)	11,362
Victim's Fund carryover balance from FYE 2017													106,886
Victim's Fund ending balance for FYE 2018													<u>\$ 118,248</u>

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INDEPENDENT AUDITORS' 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 Members
Of Town Council
Town of Yemassee, South Carolina
101 Town Circle
Post Office Box 577
Yemassee, South Carolina 29945

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, each major fund, and the aggregate remaining fund information of the Town of Yemassee, South Carolina (the "Town"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 Town'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.

The Brittingham Group LLP

West Columbia, South Carolina
February 18, 2019