

TOWN OF CHESTERFIELD
Chesterfield, South Carolina

FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Town Council
Town of Chesterfield
Chesterfield, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of June 30, 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.

Change in Accounting Principle

As described in Note 12 to the financial statements, in July 2017, the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of OPEB liability for retiree health plan, the schedule of Town's contributions and the schedule of Town's proportionate share of the net pension liability be presented to supplement the basic financial statements. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to 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. Our opinion on the basic financial statements is not affected by this missing information. 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 basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the statement of fines and assessments 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 and individual fund financial statements and the statement of fines and assessments 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 December 15, 2018, on our consideration of the Town of Chesterfield, South Carolina's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chesterfield, South Carolina's internal control over financial reporting and compliance.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

December 15, 2018

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,627,167	\$ 323,271	\$ 1,950,438
Accrued Interest Receivable	7	5	12
Accounts Receivable, Net	160,568	83,913	244,481
Intergovernmental Receivables	51,967	-	51,967
Internal Balances	62,876	(62,876)	-
Other Assets	31,334	63	31,397
Total Current Assets	<u>1,933,919</u>	<u>344,376</u>	<u>2,278,295</u>
NON-CURRENT ASSETS			
RESTRICTED ASSETS			
Cash and Cash Equivalents	358,568	155,755	514,323
Customer Deposits Held in Trust	-	61,868	61,868
Total Restricted Assets	<u>358,568</u>	<u>217,623</u>	<u>576,191</u>
CAPITAL ASSETS			
Land and Construction in Progress	145,950	75,678	221,628
Other Capital Assets, Net of Accumulated Depreciation	1,620,613	4,665,406	6,286,019
Total Capital Assets	<u>1,766,563</u>	<u>4,741,084</u>	<u>6,507,647</u>
Total Non-Current Assets	<u>2,125,131</u>	<u>4,958,707</u>	<u>7,083,838</u>
Total Assets	<u>4,059,050</u>	<u>5,303,083</u>	<u>9,362,133</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pension Liability	191,209	-	191,209
Total Deferred Outflows of Resources	<u>191,209</u>	<u>-</u>	<u>191,209</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	36,463	82,163	118,626
Accrued Liabilities	565	-	565
Accrued Interest on Bonds Payable	6,079	4,313	10,392
Current Portion of Long-Term Obligations	84,779	82,383	167,162
Total Current Liabilities	<u>127,886</u>	<u>168,859</u>	<u>296,745</u>
NON-CURRENT LIABILITIES			
Compensated Absences	37,656	-	37,656
Liabilities Payable from Restricted Assets			
Customer Deposits	-	61,868	61,868
Net Pension Liability	958,493	-	958,493
OPEB Obligation	69,833	-	69,833
Non-Current Portion of Long-Term Obligations	492,610	2,694,537	3,187,147
Total Non-Current Liabilities	<u>1,558,592</u>	<u>2,756,405</u>	<u>4,314,997</u>
Total Liabilities	<u>1,686,478</u>	<u>2,925,264</u>	<u>4,611,742</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension Liability	87,064	-	87,064
Deferred Revenue	214,416	-	214,416
Deferred Revenue Held in Restricted Assets	358,568	-	358,568
Total Deferred Inflows of Resources	<u>660,048</u>	<u>-</u>	<u>660,048</u>
NET POSITION			
Net Investment in Capital Assets	1,189,174	1,964,164	3,153,338
Restricted for:			
Debt Service	-	155,755	155,755
Unrestricted	714,559	257,900	972,459
Total Net Position	<u>\$ 1,903,733</u>	<u>\$ 2,377,819</u>	<u>\$ 4,281,552</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
STATEMENT of ACTIVITIES
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 353,543	\$ 382,234	\$ -	\$ 13,937	\$ 42,628	\$ -	\$ 42,628
Public Safety	538,182	46,934	-	-	(491,248)	-	(491,248)
Highways and Streets	328,381	-	-	-	(328,381)	-	(328,381)
Sanitation	189,282	227,740	-	-	38,458	-	38,458
Health and Welfare	157,987	176,245	-	-	18,258	-	18,258
Interest on Long-Term Debt	20,664	-	-	-	(20,664)	-	(20,664)
Total Governmental Activities	<u>1,588,039</u>	<u>833,153</u>	<u>-</u>	<u>13,937</u>	<u>(740,949)</u>	<u>-</u>	<u>(740,949)</u>
Business-Type Activities:							
Water and Sewer Charges	684,143	853,868	-	-	-	169,725	169,725
Total Business-Type Activities	<u>684,143</u>	<u>853,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,725</u>	<u>169,725</u>
Total Primary Government	<u>\$ 2,272,182</u>	<u>\$ 1,687,021</u>	<u>\$ -</u>	<u>\$ 13,937</u>	<u>(740,949)</u>	<u>169,725</u>	<u>(571,224)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
Property/Other Taxes					729,201	-	729,201
Franchise Taxes (Fees)					75,300	-	75,300
Unrestricted Investment Earnings					797	219	1,016
Loss on Disposal of Property					(3,425,404)	-	(3,425,404)
Miscellaneous					71,215	-	71,215
Total General Revenues					<u>(2,548,891)</u>	<u>219</u>	<u>(2,548,672)</u>
Change in Net Position					(3,289,840)	169,944	(3,119,896)
Net Position, Beginning of Year					5,263,406	2,207,875	7,471,281
Prior Period Adj., See Note 12					<u>(69,833)</u>	<u>-</u>	<u>(69,833)</u>
Net Position, End of Year					<u>\$ 1,903,733</u>	<u>\$ 2,377,819</u>	<u>\$ 4,281,552</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General	Special Revenue	Capital Projects	Total
ASSETS				
Cash on Hand and in Banks	\$ 1,461,692	\$ 13,298	\$ 152,177	\$ 1,627,167
Accrued Interest on Investments	6	1	-	7
Taxes and Other Accounts Receivable	32,014	-	128,554	160,568
Due from Other Funds	109,938	-	16,844	126,782
Due from Chesterfield/Cheraw Industrial Park	-	-	14,451	14,451
Due from Local Government	37,516	-	-	37,516
Deferred Expense	31,334	-	-	31,334
Restricted Assets				
Cash in Bank	358,568	-	-	358,568
Total Assets	\$ 2,031,068	\$ 13,299	\$ 312,026	\$ 2,356,393
LIABILITIES, DEFERRED INFLOW and FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 35,460	\$ -	\$ 1,003	\$ 36,463
Payroll Taxes and Employee Benefits	565	-	-	565
Due to Other Funds	-	63,906	-	63,906
Accrued Interest on Bonds Payable	-	-	6,079	6,079
Total Liabilities	36,025	63,906	7,082	107,013
Deferred Inflows of Resources				
Deferred Revenue	214,279	137	-	214,416
Deferred Revenue in Restricted Assets	358,568	-	-	358,568
Total Deferred Inflows of Resources	572,847	137	-	572,984
FUND BALANCE				
Restricted	-	(50,744)	304,944	254,200
Assigned	358,568	-	-	358,568
Unassigned	1,063,628	-	-	1,063,628
Total Fund Balance	1,422,196	(50,744)	304,944	1,676,396
Total Liabilities and Fund Balance	\$ 2,031,068	\$ 13,299	\$ 312,026	\$ 2,356,393

TOWN of CHESTERFIELD, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2018

Total Fund Balance for Governmental Funds	
Total Net Position reported for governmental activities in the statement of net position is different because:	\$ 1,676,396
Capital assets of \$3,789,100 net of accumulated depreciation of \$2,022,537, are not financial resources and, therefore, are not reported in the funds.	1,766,563
Deferred outflows and inflows related to the pension liability are applicable to future periods and therefore are not reported in the governmental funds:	
Deferred outflows-pension	191,209
Deferred inflows-pension	(87,064)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Bond	\$ (161,722)
Governmental Leases Payable	(402,374)
Notes Payable	(13,293)
Net Pension Liability	(958,493)
OPEB Obligation	(69,833)
Compensated Absences	(37,656)
	<u>(1,643,371)</u>
Total Net Position of Governmental Activities	<u>\$ 1,903,733</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Special Revenue	Capital Projects	Total
REVENUES				
Taxes	\$ 729,201	\$ -	\$ -	\$ 729,201
Licenses and Permits	382,234	-	-	382,234
Intergovernmental Revenues	75,300	13,937	-	89,237
Charges for Services	403,985	-	-	403,985
Fines and Forfeitures	46,934	-	-	46,934
Miscellaneous	35,567	14,000	21,648	71,215
Interest Income	651	18	128	797
Total Revenues	<u>1,673,872</u>	<u>27,955</u>	<u>21,776</u>	<u>1,723,603</u>
EXPENDITURES				
Current:				
General Government	232,311	-	1,338	233,649
Public Safety	474,925	-	-	474,925
Highways and Streets	297,505	-	-	297,505
Sanitation	183,634	-	-	183,634
Health and Welfare	101,807	14,261	-	116,068
Capital Outlay	321,757	14,000	26,100	361,857
Debt Service				
Principal	74,925	-	7,461	82,386
Interest	13,561	-	7,103	20,664
Total Expenditures	<u>1,700,425</u>	<u>28,261</u>	<u>42,002</u>	<u>1,770,688</u>
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	50,001	-	15,000	65,001
Total Other Financing Sources (Uses)	<u>50,001</u>	<u>-</u>	<u>15,000</u>	<u>65,001</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	23,448	(306)	(5,226)	17,916
FUND BALANCE, Beginning of Year	<u>1,398,748</u>	<u>(50,438)</u>	<u>310,170</u>	<u>1,658,480</u>
FUND BALANCE, End of Year	<u>\$ 1,422,196</u>	<u>\$ (50,744)</u>	<u>\$ 304,944</u>	<u>\$ 1,676,396</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES,
and CHANGES in FUND BALANCE to the STATEMENT of ACTIVITIES
For the Year Ended June 30, 2018

Net Changes in Fund Balance - Total Governmental Funds

The change in net position reported for governmental activities in the statement of activities is different because: \$ 17,916

Governmental funds report capital as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$248,283 exceeded net capital outlays of \$361,857. 113,574

Governmental funds report only the proceeds on sale of assets. However, in the statement of activities, the gain or loss on the sale of assets is reported. The difference is the net book value of the asset disposed. (3,425,404)

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of debt repayments for the period are \$82,385 and the amount of debt issued is \$65,000. 17,385

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include:

Net increase in compensated absences	(2,677)
Net increase in net pension related net liabilities	<u>(10,634)</u>

Changes in Net Position of Governmental Activities \$ (3,289,840)

TOWN of CHESTERFIELD, SOUTH CAROLINA
STATEMENT of NET POSITION – PROPRIETARY FUND
June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash	\$ 323,271
Water and Sewer Accounts Receivable, Net	83,913
Other Assets	68
Total Current Assets	407,252
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Cash-Reserve Bond	155,755
Cash-Customer Deposits	61,868
Total Restricted Assets	217,623
CAPITAL ASSETS	
Land	75,678
Improvements	6,838,993
Vehicles	43,545
Water System	2,350,507
Sub-Total	9,308,723
Less Accumulated Depreciation	4,567,639
Total Capital Assets	4,741,084
Total Non-Current Assets	4,958,707
Total Assets	5,365,959
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	82,163
Accrued Interest Payable	4,313
Due to Other Funds	62,876
Notes Payable	34,344
Serial Bonds Payable, Current	48,039
Total Current Liabilities	231,735
NON-CURRENT LIABILITIES	
Liabilities Payable from Restricted Assets	
Customers' Deposits	61,868
Notes Payable, Non-Current	151,527
Serial Bonds Payable, Non-Current	2,543,010
Total Non-Current Liabilities	2,756,405
Total Liabilities	2,988,140
NET POSITION	
Net Investment in Capital Assets	1,964,164
Restricted for Debt Service	155,755
Unrestricted	257,900
Total Net Position	\$ 2,377,819

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION -
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2018

OPERATING REVENUES	
Water Charges	\$ 391,138
Sewer Service Charges	444,740
Tap-On Fees and Reconnect Charges	13,762
Miscellaneous	4,228
Total Operating Revenues	<u>853,868</u>
OPERATING EXPENSES	
Supplies	169,042
Utilities and Telephone	43,907
Professional Services	93,619
Miscellaneous	21,946
Depreciation	239,025
Total Operating Expenses	<u>567,539</u>
Operating Income	<u>286,329</u>
NON-OPERATING INCOME (EXPENSE)	
Investment Income	219
Interest Expense	(116,604)
Total Non-operating Income (Expense)	<u>(116,385)</u>
Net Income	<u>169,944</u>
NET POSITION, Beginning of Year	<u>2,207,875</u>
NET POSITION, End of Year	<u>\$ 2,377,819</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers and Others	\$ 864,814
Cash Payments to Suppliers for Goods and Services	<u>(298,836)</u>
Net Cash Provided by Operating Activities	<u>565,978</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Net Purchase of Assets	(53,066)
Principal Paid on Revenue Bonds	(46,082)
Principal Paid on Leases Payable	(116,732)
Interest Paid on Bonds	<u>(116,604)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(332,484)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest on Investments	<u>219</u>
Net Cash Provided by Investing Activities	<u>219</u>
Net Increase in Cash and Cash Equivalents	233,713
Cash and Cash Equivalents at Beginning of Year	<u>307,181</u>
Cash and Cash Equivalents at End of Year	<u>\$ 540,894</u>
RECONCILIATION of OPERATING INCOME to NET	
CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 286,329
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	239,025
Changes in Assets and Liabilities:	
(Increase) Decrease in Current Assets	
Accounts Receivable	10,946
Increase (Decrease) in Current Liabilities	
Accounts Payable	27,455
Accrued Interest Payable	(977)
Due to Other Funds	-
Customer Deposits	<u>3,200</u>
Net Cash Provided by Operating Activities	<u>\$ 565,978</u>
RECONCILIATION OF CASH FLOWS	
Cash	\$ 323,271
Cash - Reserve Bond	155,755
Cash - Customer Deposits	<u>61,868</u>
	<u>\$ 540,894</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY of ACCOUNTING POLICIES

The Town of Chesterfield was incorporated February 5, 1872, under a charter granted by the Secretary of State of South Carolina. On June 22, 1976, the Town adopted the mayor-council form of government under the provisions of Section 47-20 of the South Carolina Code of Laws, as amended. A new certificate of incorporation was issued on that date. The Town provides the following services as authorized by its charter: public safety (police and fire), street and sanitation, health and welfare, water and sewer and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

A. Reporting Entity

The financial statements of the Town consist only of the funds of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, streets and sanitation, health and welfare, and general administrative services are classified as governmental activities. The Town's utility services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town.

- a. 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.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects are used to account for financial resources to be used for the acquisition and development of capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Basis of Accounting

The government-wide statement reports using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial recourses measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

D. Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

E. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Water and Sewer Funds. The General Fund Budget is adopted on a basis substantially consistent with the basis of accounting utilized by that fund. The Water and Sewer Fund budget is adopted on the cash basis.

The Town Council approves by ordinance the budget appropriations by department. Unused appropriations lapse at the end of the year.

The Town does not utilize a formal method of encumbrance accounting and reporting.

The Town has not presented budget information for special revenue funds and capital project funds since budgetary control is maintained on an individual grant basis. Due to timing, this information may not be meaningful.

F. Cash and Investments

For purposes of cash flows, the Town considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statutes permits the Town to invest in the following types of instruments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

G. Inventory

The proprietary fund inventory consists primarily of chemicals and supplies which are recorded at lower of cost or market.

H. Receivables and Allowance for Uncollectible Accounts

The Town positively enforces the property tax collection policies described in Note 1-J, thus all property taxes receivable are expected to be fully collectible. Allowance for uncollectible accounts receivable in the enterprise fund at year end is \$72,228 at June 30, 2018.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

I. Capital Assets, Depreciation and Amortization

Capital assets are stated at historical cost or estimated historical cost. Donated capital assets are stated at their fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	20 - 60 Years
Mobile Equipment	5 Years
Furniture, Fixtures and Equipment	5 Years

No valuation has been made of plant assets in existence prior to the improvements under the 1960 bond issue and plant assets acquired by the Town prior to May 1, 1949. It is estimated that these assets are fully depreciated at, or prior to June 30, 2018. Depreciation is computed on the known improvements to the system since 1960 and system assets acquired by the Town since May 1, 1949. Cost of extensions to the system is based on estimates by the water superintendent since no records are maintained for the installation of each tap.

The capitalized cost of assets includes not only purchase price or construction cost, but also ancillary charges (such as site preparation and professional fees) and construction-period interest.

J. Revenue Recognition - Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on real property. Assessment is made by Chesterfield County. The Town provides the County with the tax levy, and the County prints the tax notices for the Town. The tax levy for 2016 was 135 mills. Property taxes are due January 15, with a 15% penalty added January 16. Notice of Levy to Taxes is sent by certified mail to delinquent taxpayers May 1. After May 1, additional costs of collection are added. Property is duly advertised for three consecutive weeks in July and sold for taxes, penalties and costs of sales on the first Monday in August.

Property tax revenues are recognized when they become available. Available includes those property taxes expected to be collected within sixty days after year end.

K. Compensated Absences

The Town permits employees to accumulate a limited amount of compensated absences. Annual leave will be accrued at the rate of one day for each calendar month worked. Annual leave will be accrued to a maximum of forty-five days. Vacation days accrued past forty-five days are lost if not used within the fiscal year of the Town. Upon termination of employment with the Town, an employee shall be paid for accrued annual leave which has been accrued but not used. Employees will not be paid for accrued annual leave if they resign before they have worked one year.

Sick leave is accrued at the rate of one working day per calendar month to a maximum of ninety days beginning with the first month of employment. Upon termination of employment with the Town, an employee shall not be paid for any sick leave which has been accrued but not used.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

In the event an employee is required to devote an unusual amount of extra time to the work of the Town, the Mayor may provide for compensatory time off for such an employee.

Accumulated unpaid compensated absences totaled \$37,656 at June 30, 2018 for Town employees. Accumulated unpaid compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds reports only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets these criterion-- pension-related deferrals. In addition to liabilities, the statement of financial position can also 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 and so will not be recognized as revenue until then. The Town has several items that meets these criterion—deferred revenue and pension-related deferrals.

M. Net Position

Net position is classified and presented in three components:

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 mortgages, notes payable, or other borrowings, that are attributable to the acquisitions, construction, or improvement of those assets.

Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets”.

N. Fund Balance

The Town has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government’s fund balance more transparent. The following classification describes the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.
- Committed fund balance—amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest level action to remove or change the constraint;

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.
- When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

O. General Obligation Bonded Debt Service

The Town levies and collects annually upon all taxable property in the Town an ad valorem tax sufficient to pay the principal of and interest on its general obligation bonds as they respectively mature. The projected annual requirement takes into consideration the following items: the beginning fund balance available, the maintenance of an adequate ending balance, and the maintenance of an allocation rate large enough to satisfy the minimum amounts prescribed by the bond ordinances.

P. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the Town's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 2 CASH AND INVESTMENTS

Deposits are shown at carrying value at June 30, 2018, as follows:

	1	2	3	Bank Balance	Total Carrying Amount
Checking Accounts	\$ 274,194	\$ 526,699	\$ -	\$ 800,893	\$ 741,472
Savings Accounts	627,983	232,397	639,845	1,500,225	1,242,384
Certificates of Deposit	12,189	-	530,274	542,463	542,438
	<u>\$ 914,366</u>	<u>\$ 759,096</u>	<u>\$ 1,170,119</u>	<u>\$ 2,843,581</u>	<u>2,526,294</u>
Cash on Hand and Other					335
					<u>\$ 2,526,629</u>

NOTE 2 CASH AND INVESTMENTS (Continued)

The Town's deposits are categorized to indicate the level of risk assumed by the Town at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Town's name.

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$1,673,462 at June 30, 2018, that was fully insured by depository insurance or secured with collateral held by the Town's agent in its name.

A reconciliation of cash and cash equivalents at June 30, 2018 as shown in the combined Statement of Net Position for the primary government follows:

Petty Cash and Other	\$ 335
Carrying Amount of Deposits	<u>2,526,294</u>
Total	<u><u>\$ 2,526,629</u></u>
Cash and Cash Equivalents	\$ 1,950,438
Cash and Cash Equivalents - Restricted	<u>576,191</u>
Total	<u><u>\$ 2,526,629</u></u>

NOTE 3 CAPITAL ASSETS

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
GOVERNMENTAL ACTIVITIES:				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 732,867	\$ 26,100	\$ (613,017)	\$ 145,950
Total Capital Assets not Being Depreciated	<u>732,867</u>	<u>26,100</u>	<u>(613,017)</u>	<u>145,950</u>
Other Capital Assets:				
Land Improvements	29,993	-	-	29,993
Buildings and Improvements	5,344,277	-	(4,056,833)	1,287,444
Equipment	911,730	19,108	-	930,838
Furniture and Fixtures	50,370	-	(3,200)	47,170
Automotive Equipment	180,144	316,649	-	496,793
Streets, Sidewalks, Etc.	850,912	-	-	850,912
Total Other Capital Assets at Historical Cost	<u>7,367,426</u>	<u>335,757</u>	<u>(4,060,033)</u>	<u>3,643,150</u>

NOTE 3 CAPITAL ASSETS (Continued)

Less Accumulated Depreciation for:				
Buildings and Improvements	(1,594,780)	(124,618)	1,244,446	(474,952)
Equipment	(727,443)	(45,886)	-	(773,329)
Furniture and Fixtures	(42,306)	(4,598)	3,200	(43,704)
Automotive Equipment	(180,145)	(26,524)	-	(206,669)
Land Improvements	(29,993)	-	-	(29,993)
Streets, Sidewalks, Etc.	(447,233)	(46,657)	-	(493,890)
Total Accumulated Depreciation	(3,021,900)	(248,283)	1,247,646	(2,022,537)
Other Capital Assets, Net	4,345,526	87,474	(2,812,387)	1,620,613
Governmental Activities Capital Assets, Net	\$ 5,078,393	\$ 113,574	\$ (3,425,404)	\$ 1,766,563

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ -	\$ 39,705	-	\$ 39,705
Land and Improvements	35,973	-	-	35,973
Total Capital Assets not Being Depreciated	35,973	39,705	-	75,678
Other Capital Assets:				
Improvements	6,838,993	-	-	6,838,993
Vehicles	43,545	-	-	43,545
Water System	2,337,146	13,361	-	2,350,507
Total Other Capital Assets at Historical Cost	9,219,684	13,361	-	9,233,045
Less Accumulated Depreciation	(4,328,614)	(239,025)	-	(4,567,639)
Other Capital Assets, Net	4,891,070	(225,664)	-	4,665,406
Business-Type Activities Capital Assets, Net	\$ 4,927,043	\$ (185,959)	\$ -	\$ 4,741,084

Depreciation expense for the year ended June 30, 2018, was charged to functions as follows:

GOVERNMENT ACTIVITIES:	
General Government	\$ 106,583
Public Safety	63,257
Highways and Streets	30,876
Sanitation	5,648
Health and Welfare	41,919
Total Governmental Activities Depreciation Expense	\$ 248,283

BUSINESS-TYPE ACTIVITIES:	
Water and Sewer System	\$ 239,025
Total Business-Type Activities Depreciation Expense	\$ 239,025

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND

The following is a summary of the long-term liability activity of the proprietary fund for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Payable Within One Year
<u>Serial Bonds Payable</u>					
1994 Revenue Bond payable to FmHA in monthly installments of \$2,356 and maturing November, 2034, including interest at 5.25%	\$ 322,249	\$ -	\$ 11,629	\$ 310,620	\$ 12,255
2011A Revenue Bond Payable to USDA in monthly payments of \$919 and maturing May 13, 2051, including interest at 4.375%	193,471	-	2,623	190,848	2,740
2011B Revenue Bond Payable to USDA in monthly payments of \$9,240 and maturing June 13, 2051, including interest at 3.75%	<u>2,121,411</u>	<u>-</u>	<u>31,830</u>	<u>2,089,581</u>	<u>33,044</u>
Sub-Total	<u>2,637,131</u>	<u>-</u>	<u>46,082</u>	<u>2,591,049</u>	<u>48,039</u>
<u>Notes Payable</u>					
Lease-purchase financing payable to Branch Banking and Trust Company in annual payments of \$41,705 and maturing April 25, 2023, including interest at 3.96%	218,907	-	33,036	185,871	34,344
Lease-purchase financing payable to Branch Banking and Trust Company in annual payments of \$5,159 and maturing April 25, 2023, including interest at 3.96%	27,081	-	27,081	-	-
Loan Payable for BB&T Lease in annual payments of \$41,705 maturing December 1, 2018 with an interest rate of 4.04%	<u>56,615</u>	<u>-</u>	<u>56,615</u>	<u>-</u>	<u>-</u>
Sub-Total	<u>302,603</u>	<u>-</u>	<u>116,732</u>	<u>185,871</u>	<u>34,344</u>
Total Proprietary Fund Long-Term Debt	<u>\$ 2,939,734</u>	<u>\$ -</u>	<u>\$ 162,814</u>	<u>\$ 2,776,920</u>	<u>\$ 82,383</u>

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND (Continued)

The annual requirements to amortize notes payable as of June 30, 2018 are:

	1994 Revenue Bond		2011B Revenue Bond		2011A Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 12,255	\$ 16,017	\$ 33,044	\$ 77,836	\$ 2,740	\$ 8,288
2020	12,914	15,358	34,305	76,575	2,863	8,165
2021	13,608	14,664	35,613	75,267	2,990	8,038
2022	14,340	13,932	36,972	73,908	3,124	7,904
2023	15,111	13,161	38,383	72,497	3,263	7,765
2024-2028	88,657	52,703	215,028	339,372	18,637	36,504
2029-2033	115,204	26,156	259,298	295,102	23,184	31,956
2034-2038	38,531	1,539	312,681	241,719	28,842	26,298
2039-2043	-	-	377,056	177,344	35,880	19,260
2044-2048	-	-	454,683	99,717	44,636	10,504
2049-2052	-	-	292,519	16,107	24,688	1,323
Total	\$ 310,620	\$ 153,530	\$ 2,089,582	\$ 1,545,444	\$ 190,847	\$ 166,005

	BB&T Lease Payable		Totals	
	Principal	Interest	Principal	Interest
2019	\$ 34,344	\$ 7,361	\$ 82,383	\$ 109,502
2020	35,704	6,000	\$ 85,786	\$ 106,098
2021	37,118	4,587	\$ 89,329	\$ 102,556
2022	38,588	3,117	\$ 93,024	\$ 98,861
2023	40,117	1,588	\$ 96,874	\$ 95,011
2024-2028	-	-	\$ 322,322	\$ 428,579
2029-2033	-	-	\$ 397,686	\$ 353,214
2034-2038	-	-	\$ 380,054	\$ 269,556
2039-2043	-	-	\$ 412,936	\$ 196,604
2044-2048	-	-	\$ 499,319	\$ 110,221
2049-2052	-	-	\$ 317,207	\$ 17,430
Total	\$ 185,871	\$ 22,653	\$ 2,776,920	\$ 1,887,632

The Town has complied with all significant covenants.

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the governmental fund debt as June 30, 2018 is as follows:

General Obligation Bond, \$12,449, Annually for 30 years at 4.125% Interest, Matures 8/3/37	\$ 161,723
Lease Obligation Payable, \$10,361 Annually at 1.9% Interest, Matures 3/30/20	20,146
Lease Obligation Payable, \$31,333 Annually at 3.99% Interest, Matures 7/15/21	113,757
Lease Obligation Payable, \$29,400 Annually at 2.46% Interest, Matures 6/30/27	234,782
Lease Obligation Payable, \$17,392 Annually at 2.16% Interest, Matures 7/12/20	33,688
Notes Payable, \$208.5 Monthly at 4.5% Interest, Matures 7/12/24	<u>13,293</u>
Total Bonds, Notes and Lease Obligations Payable	577,389
Liability for Compensated Absences	<u>37,656</u>
Total Governmental Fund Long-Term Debt	<u><u>\$ 615,045</u></u>

The following is a summary of the governmental fund debt activity for the year ended June 30, 2018:

	Balance			Payable	
	6/30/2017	Additions	Deductions	6/30/2018	Within One Year
Capital Leases	\$ 427,298	\$ 50,000	\$ 74,924	\$ 402,374	\$ 77,058
Notes Payable	-	15,000	1,707	13,293	1,943
General Obligation Bond	<u>167,476</u>	<u>-</u>	<u>5,754</u>	<u>161,722</u>	<u>5,778</u>
Total Bonds, Notes, and Leases Payable	<u>594,774</u>	<u>65,000</u>	<u>82,385</u>	<u>577,389</u>	<u>\$ 84,779</u>
Compensated Absences	<u>34,979</u>	<u>2,677</u>	<u>-</u>	<u>37,656</u>	
Total Governmental Activities Long-Term Debt	<u><u>\$ 629,753</u></u>	<u><u>\$ 67,677</u></u>	<u><u>\$ 82,385</u></u>	<u><u>\$ 615,045</u></u>	

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest as of June 30, 2018 are as follows:

	Government Obligation Bond		Lease Obligation Dump Truck		Lease Obligation 2012 Fire Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 5,778	\$ 6,671	\$ 9,979	\$ 384	\$ 26,791	\$ 4,542
2020	6,016	6,433	10,167	193	27,861	3,472
2021	6,264	6,184	-	-	28,773	2,359
2022	6,523	5,926	-	-	30,332	1,203
2023	6,792	5,657	-	-	-	-
2024-2028	38,398	22,260	-	-	-	-
2029-2033	47,002	13,303	-	-	-	-
2034-2038	44,950	4,233	-	-	-	-
Total	<u>\$ 161,723</u>	<u>\$ 70,667</u>	<u>\$ 20,146</u>	<u>\$ 577</u>	<u>\$ 113,757</u>	<u>\$ 11,576</u>

	Lease Obligation 2017 Fire Truck		Lease Obligation 2018 2 Police Cars		Notes Payable King Land	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 23,624	\$ 5,776	\$ 16,664	\$ 728	\$ 1,943	\$ 559
2020	24,205	5,194	17,024	368	2,033	469
2021	24,800	4,599	-	-	2,123	379
2022	25,410	3,988	-	-	2,224	278
2023	26,035	3,364	-	-	2,326	176
2024-2028	110,708	6,891	-	-	2,644	67
2029-2033	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
Total	<u>\$ 234,782</u>	<u>\$ 29,812</u>	<u>\$ 33,688</u>	<u>\$ 1,096</u>	<u>\$ 13,293</u>	<u>\$ 1,928</u>

	Total	
	Principal	Interest
2019	\$ 84,779	\$ 18,660
2020	87,306	16,129
2021	61,960	13,521
2022	64,489	11,395
2023	35,153	9,197
2024-2028	151,750	29,218
2029-2033	47,002	13,303
2034-2038	44,950	4,233
Total	<u>\$ 577,389</u>	<u>\$ 115,656</u>

NOTE 6 INTERFUND RECEIVABLES and PAYABLE

The following is a summary of amounts due from and due to other funds at June 30, 2018:

	Due to Capital Projects	Due to General Fund	Total
Due from Special Revenue	\$ 63,906	\$ -	\$ 63,906
Due (to) from Water & Sewer	(17,062)	79,938	62,876
Due (to) from Capital Projects	(30,000)	30,000	-
	<u>\$ 16,844</u>	<u>\$ 109,938</u>	<u>\$ 126,782</u>

NOTE 7 COMPONENTS OF RESTRICTED ASSETS

Certain assets of the Town have been restricted for debt service, and customer deposits. These assets, which consist of cash and short-term investments at June 30, 2018, were as follows:

	General Fund	Proprietary Fund Type
Restricted Assets		
Reserve for Victim Assistance and Fines	\$ 45,349	\$ -
Reserve for Hospitality Tax	114,196	-
Local Option Sale Tax	198,510	-
Bail Bonds Deposited	513	-
Customer Deposits	-	61,868
Reserve for Cushion	-	155,755
Total Restricted Assets	<u>\$ 358,568</u>	<u>\$ 217,623</u>
Payable from Restricted Assets	<u>\$ 358,568</u>	<u>\$ 217,623</u>

NOTE 8 RETIREMENT PLAN

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement System 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 System 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 System and serves as a co-trustee of the System in conducting that review.

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

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

Plan Descriptions

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

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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 fireman 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.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. 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 fireman of the state and its political subdivisions.

For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution. A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTE 8 RETIREMENT PLAN (Continued)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of 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 requirements that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

Contributions

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

NOTE 8 RETIREMENT PLAN (Continued)

The following provides a summary of the Town of Chesterfield, South Carolina's actual retirement plan contributions at June 30, 2018: (includes group life insurance)

<u>Retirement System</u>	Covered	Employee	Employer	Total
	<u>Salaries</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
SCRS	\$ 242,303	\$ 21,807	\$ 32,856	\$ 54,663
PORS	\$ 175,383	\$ 18,100	\$ 28,131	\$ 46,231
<u>Contribution Rates</u>				
		<u>Employee</u>	<u>Employer</u>	<u>Total</u>
SCRS		9.00%	13.56%	22.56%
PORS		9.75%	16.04%	25.79%

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

At June 30, 2018, the Town reported a liability of \$958,493 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 entities, actuarially determined. The Town's proportion was .0026 % for the SCRS and .0139% for the PORS.

For the year ended June 30, 2018, the Town recognized pension expense of \$71,999. At June 30, 2018, 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>
Difference Between Expected and Actual Experience	\$ -	\$ 87,064
Liability Experience	130,222	-
Town Contributions Subsequent to the Measurement Date	60,987	-
Total	<u>\$ 191,209</u>	<u>\$ 87,064</u>

NOTE 8 RETIREMENT PLAN (Continued)

The \$60,987 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (2,204)
2020	26,018
2021	19,960
2022	(616)

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 System was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the System consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2016, 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 fiscal year ended June 30, 2018, using generally accepted actuarial principles. Information included in the following schedules, is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2017, valuations for SCRS

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (Varies by service)	3.5% to 9.5% (Varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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.

NOTE 8 RETIREMENT PLAN (Continued)

Long-Term Expected Rate of Return

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

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

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real	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%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. 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. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

NOTE 8 RETIREMENT PLAN (Continued)

Sensitivity Analysis

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

	Discount Rate	Town's Proportionate Share of Net Pension Liability
1% Decrease	6.25%	\$ 1,258,805
Current Discount Rate	7.25%	\$ 958,493
1% Increase	8.25%	\$ 752,060

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE 9 SHARED GRANT with TOWN of CHESTERFILED

In an effort to attract quality industry into the Chesterfield/Chesterfield area, the two Towns applied for a joint grant where they could combine their efforts and resources to develop an industrial park project primarily by developing infrastructure for water and sewer. The portion attributed to the Town of Chesterfield is reported under "Capital Projects Funds".

NOTE 10 POST-EMPLOYMENT BENEFITS

The Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard has substantially revised the accounting requirements previously mandated under GASB Statement 45. The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entry.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net (or Total) OPEB Liability will be immediately recognized as OPEB expense on the income statement or reported as deferred inflows or outflows of resources, depending on the nature of the change.

Plan Description: In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the Town has autonomy in establishing retiree and post-employment benefits. The Town provides a certain dollar amount to be used for health insurance benefits to certain active and retired Town employees. Full-time employees of the Town who had completed 15 years of service who retired by December 101, 2011 were eligible to receive these benefits. The Town has elected to continue coverage on one employee who had previously retired. After the employee reaches Medicare eligible age, the benefit will close and the Town will not pay any portion of the employee only health insurance. As of July 1, 2017, the valuation date, two retirees met the eligibility requirement for the plan.

NOTE 10 POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy: Employer and employee contribution rates are established by the South Carolina Local Government Assurance Group. The Town currently funds post-employment health insurance on a pay-as-you go basis. As of July 1, 2017, the valuation date, the Town contributes a flat dollar amount of the premium cost.

Total OPEB Liability

Total OPEB Liability	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 69,833	\$ 69,833

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 75.

Discount Rate	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Discount Rate:	2.00%	2.00%
20 Year Tax-Exempt Municipal Bond Yield	2.00%	2.00%

Other Key Actuarial Assumptions

The demographic assumptions used are predominantly consistent with those used in the July 1, 2016 actuarial valuations of the South Carolina Retirement System.

Other Key Actuarial Assumptions

Valuation Date	July 1, 2016	July 1, 2016
Measurement Date	June 30, 2017	June 30, 2017
Inflation	1.50%	1.50%
Salary Increases, Including Inflation	1.50%	1.50%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

Changes in Total OPEB Liability

Changes in Total OPEB Liability	<u>Increase or (Decrease)</u>
Balance as of June 30, 2017	\$ 69,833
Changes during Year:	
Annual Required Contribution	7,282
Amount Funded	(7,282)
Balance as of June 30, 2018	<u>\$ 69,833</u>

NOTE 10 POST-EMPLOYMENT BENEFITS (Continued)

The following presents the Town's Total OPEB Liability, calculated using the discount rate of 2.00%. It also presents what the Town's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Discount Rate	1% Increase
	<u>1.00%</u>	<u>2.00%</u>	<u>3.00%</u>
Total OPEB Liability	\$72,389	\$ 69,833	\$ 67,277

NOTE 11 SUBSEQUENT EVENTS

The Town evaluated all events or transactions that occurred after June 30, 2018, through the date of December 15, 2018 when the Town issued these financial statements. During this period, the Town did not have any material subsequent events that required recognition in the Town's disclosures to the June 30, 2018, financial statements.

NOTE 12 PRIOR PERIOD ADJUSTMENTS

The Town implemented GASB 75 as of July 1, 2017, which required a prior period adjustment totaling \$69,833. See note 10 on GASB 75 for more information.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN of CHESTERFIELD, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 688,700	\$ 688,700	\$ 729,201	\$ 40,501
Licenses and Permits	382,200	382,200	382,234	34
Intergovernmental Revenues	48,385	48,385	75,300	26,915
Charge for Services	390,104	390,104	403,985	13,881
Fines and Forfeits	96,000	96,000	46,934	(49,066)
Miscellaneous	8,360	8,360	35,567	27,207
Interest Income	160	160	651	491
Total Revenues	<u>1,613,909</u>	<u>1,613,909</u>	<u>1,673,872</u>	<u>59,963</u>
EXPENDITURES				
General Government	248,636	248,636	232,311	16,325
Public Safety	526,800	526,800	474,925	51,875
Highways and Streets	378,543	378,543	297,505	81,038
Sanitation	212,492	212,492	183,634	28,858
Health and Welfare	142,576	142,576	101,807	40,769
Capital Outlay	9,500	9,500	321,757	(312,257)
Debt Service				
Principal	95,362	95,362	74,925	20,437
Interest	-	-	13,561	(13,561)
Total Expenditures	<u>1,613,909</u>	<u>1,613,909</u>	<u>1,700,425</u>	<u>(86,516)</u>
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	-	-	50,001	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>50,001</u>	<u>-</u>
EXCESS of REVENUES over EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>23,448</u>	<u>\$ (26,553)</u>
FUND BALANCE, Beginning of Year			<u>795,136</u>	
FUND BALANCE, End of Year			<u>\$ 818,584</u>	

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of OPEB LIABILITY FOR RETIREE HEALTH PLAN
Years Ended June 30,

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
2015	-0-	77,936	77,936	0.0%	-0-
2016	-0-	77,936	77,936	0.0%	-0-
2017	-0-	69,833	69,833	0.0%	-0-
2018	-0-	69,833	69,833	0.0%	-0-

The actuarial valuations used the entry age normal cost method.

TOWN of CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

NOTES to REQUIRED SUPPLEMENTARY INFORMATION - OPEB
Year Ended June 30, 2018

NOTE 1 CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the year ended June 30, 2017 (the measurement date).

NOTE 2 CHANGES IN ASSUMPTIONS

No changes were made to the actuarial assumptions utilized during the fiscal year ended June 30, 2017 (the measurement year).

NOTE 3 PLAN ASSETS

There are no plan assets accumulated in a trust to fund the OPEB liability.

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S CONTRIBUTIONS
South Carolina Retirement System
Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 60,987	\$ 56,231	\$ 51,937	\$ 52,473
Contributions in Relation to Statutorily Required Contributions	<u>60,987</u>	<u>56,231</u>	<u>51,937</u>	<u>52,473</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's Covered-Employee Payroll	<u>\$ 417,686</u>	<u>\$ 446,120</u>	<u>\$ 436,670</u>	<u>\$ 445,501</u>
Contributions as a Percentage of Covered Employee Payroll	14.6%	12.6%	11.9%	11.8%

Until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S PROPORTIONATE
SHARE of the NET PENSION LIABILITY
South Carolina Retirement System
Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting Unit's Proportion of South Carolina Retirement System Net Pension Liability (%)	0.0029%	0.0029%	0.0029%	0.0033%
Reporting Unit's Proportion of Police Officers Retirement System Net Pension Liability (%)	0.0125%	0.0125%	0.0137%	0.0140%
Reporting Unit's Proportionate Share of Net Pension Liability	<u>\$ 958,493</u>	<u>\$ 928,662</u>	<u>\$ 856,579</u>	<u>\$ 837,223</u>
Reporting Unit's Covered Employee Payroll	<u>\$ 417,686</u>	<u>\$ 446,120</u>	<u>\$ 436,670</u>	<u>\$ 445,501</u>
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	229.5%	208.2%	196.2%	187.9%

Until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

TOWN of CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

NOTES to REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2018

Note 1 Valuation Date – Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Note 2 Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	25 Years, Open
Asset Valuation Method	5-Year Smoothing Market
Inflation	2.25%
Salary Increases	3.5% - 12.5% (SCRS), 4%-10% (PORS)
Investment Return	7.25%
Mortality	2016 PRSC, Projected at Scale AA from Year 2016

Note 3 Changes in Benefits – No changes were made to the benefit terms during the fiscal year ended June 30, 2017 (the measurement year).

Note 4 Changes in Assumptions – No changes were made to the actual assumptions utilized during the fiscal year ended June 30, 2017 (the measurement year).

SUPPLEMENTAL INFORMATION (OPTIONAL)

GENERAL FUND

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2018

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
<u>Property Tax</u>			
Current Property Tax	\$ 280,000	\$ 245,269	\$ (34,731)
Vehicle Taxes	35,600	40,247	4,647
Homestead Exemption	35,800	34,058	(1,742)
Local Option Sales Tax	150,000	233,080	83,080
Local Accommodation Tax	1,100	1,152	52
Motor Carrier Tax	85,000	91,567	6,567
Manufacturing Tax Exemption	3,700	3,935	235
Local Hospitality Tax	97,500	79,893	(17,607)
Total Property Tax	<u>688,700</u>	<u>729,201</u>	<u>40,501</u>
<u>License and Franchise Fees</u>			
Business License Insurance	199,500	196,897	(2,603)
Business and Professional Licenses	32,500	36,190	3,690
Business License - Telecommunications	12,000	8,066	(3,934)
Business License - Broker Tax	2,000	2,585	585
Business License - Contract	6,000	9,490	3,490
Traffic Safety	5,000	5,000	-
Progress Energy Agreement	105,000	110,520	5,520
Lynches River Agreement	4,200	4,733	533
Sandhill Telephone	16,000	8,753	(7,247)
Total License and Franchise Fees	<u>382,200</u>	<u>382,234</u>	<u>34</u>
<u>State Shared Revenue</u>			
Merchant Inventory Tax	10,385	8,078	(2,307)
State Shared	32,000	33,247	1,247
Accommodations Tax	6,000	33,975	27,975
Total State Shared Revenue	<u>48,385</u>	<u>75,300</u>	<u>26,915</u>
<u>Fire Protection</u>			
Fire Protection	125,000	125,065	65
Total Fire Protection	<u>125,000</u>	<u>125,065</u>	<u>65</u>
<u>Garbage Fees</u>			
Garbage Fees	222,000	227,740	5,740
Total Garbage Fees	<u>222,000</u>	<u>227,740</u>	<u>5,740</u>
<u>Rental Fees</u>			
Rent - Guardian Ad Litem	3,900	4,200	300
Rent - Perry Clinic	12,434	19,500	7,066
Rent - Visitor's Center	9,540	10,210	670
Rent - Hut	4,500	8,380	3,880
Rent - Conference Center	6,365	2,525	(3,840)
Rent - Duke Energy	6,365	6,365	-
Total Rental Fees	<u>43,104</u>	<u>51,180</u>	<u>8,076</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2018

REVENUES (Continued)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Fines</u>			
Fines and Costs	90,000	45,527	(44,473)
Victim's Assistance	6,000	1,307	(4,693)
Restitution	-	100	100
Total Fines and Costs	<u>96,000</u>	<u>46,934</u>	<u>(49,066)</u>
<u>Miscellaneous</u>			
Commerce Park Maintenance	360	360	-
Yard Sales	50	75	25
Miscellaneous	2,000	27,679	25,679
Property Sale Surplus	-	855	855
Overgrown Lot Reimbursement	-	660	660
Copeland Park Utilities Reimbursement	2,500	-	(2,500)
Phone-Capital Credit-Administration	2,500	3,083	583
Phone-Capital Credit-Police	900	925	25
Phone-Capital Credit-Fire	50	-	(50)
Donations	-	1,930	1,930
Total Miscellaneous	<u>8,360</u>	<u>35,567</u>	<u>27,207</u>
<u>Interest</u>			
Interest Earned	160	651	491
Total Interest	<u>160</u>	<u>651</u>	<u>491</u>
TOTAL REVENUES	<u>1,613,909</u>	<u>1,673,872</u>	<u>59,963</u>
EXPENDITURES			
<u>General Government</u>			
Salaries	118,524	118,539	(15)
Social Security	9,067	9,032	35
Group Hospitalization	26,300	22,811	3,489
Retirement	12,760	14,105	(1,345)
Workman's Compensation	680	375	305
Auto Expenses (Mayor)	2,000	1,308	692
Utilities	5,800	6,108	(308)
Telephone	7,680	6,845	835
Insurance and Bonds	10,200	8,198	2,002
Office Supplies	3,000	1,719	1,281
Office Equipment (Repair and Maintenance)	1,200	1,184	16
Building Cleaning	275	232	43
Building Maintenance	3,000	1,899	1,101
Equipment Replacement	2,000	-	2,000
Training, Travel, Conferences	10,100	7,821	2,279
Membership Fees	900	941	(41)
Professional Services	35,000	30,846	4,154
Advertisements	150	348	(198)
Total General Government	<u>248,636</u>	<u>232,311</u>	<u>16,325</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2018

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Police Department</u>			
Salaries	197,978	193,841	4,137
Social Security	15,145	14,797	348
Group Hospitalization	47,150	38,966	8,184
Retirement	32,727	30,794	1,933
Workman's Compensation	6,600	4,856	1,744
Auto Expense	23,500	26,147	(2,647)
Utilities	2,500	2,214	286
Telephone	9,000	9,576	(576)
Telephone Park Camera	100	-	100
Insurance and Bonds	15,200	16,241	(1,041)
Office Supplies	2,000	1,493	507
Office Equipment (Repairs and Maintenance)	1,000	-	1,000
Police and I.D. Supplies	2,500	3,366	(866)
Building Cleaning	500	85	415
Building Maintenance	1,000	557	443
Equipment Replacement	1,500	2,984	(1,484)
Equipment -Body Camera & Storage	-	2,095	(2,095)
Radio Service Contract	1,500	991	509
Uniforms	4,000	5,413	(1,413)
Uniforms-Vests	1,000	-	1,000
Prisoners Board	7,000	2,538	4,462
Fine Assessments	50,000	26,595	23,405
Victim Assistance	900	1,307	(407)
Donations	-	1,226	(1,226)
Training, Meals, Travel	2,500	1,878	622
Membership Fees	500	445	55
1033 Program Surplus	500	500	-
Professional Fees	2,500	4,989	(2,489)
Advertising	500	202	298
Drug Buys	-	100	(100)
Reserve PP Vehicle	7,000	-	7,000
Total Police Department	436,300	394,196	42,004
<u>Fire Department</u>			
Salaries	30,000	22,804	7,196
Social Security	2,500	1,699	801
Medical Insurance	2,000	1,132	868
Retirement	4,000	2,736	1,264
Workman's Compensation	2,000	1,130	870
Truck Expense	5,000	2,355	2,645
Utilities and Heat	3,500	3,118	382
Telephone	2,000	1,942	58
Insurance and Bonds	13,000	7,178	5,822
Specialized Department Supply	10,000	10,779	(779)
Building Maintenance	500	562	(62)
Equipment Replacement	2,000	15,532	(13,532)
Radio Service Contract	1,000	616	384
Uniforms and Turn Out Gear	10,000	6,831	3,169
Training, Travel, Meals	2,000	505	1,495
Membership Fees	1,000	1,235	(235)
Professional Services	-	575	(575)
Total Fire Department	90,500	80,729	9,771

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina
GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2018

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Public Properties</u>			
Salaries	108,580	92,335	16,245
Social Security	8,306	6,929	1,377
Group Hospitalization	35,000	19,611	15,389
Retirement	13,417	10,649	2,768
Workman's Compensation	1,200	1,052	148
Truck Expense	11,700	6,226	5,474
Utilities	121,290	107,522	13,768
Utilities-Christmas	1,900	3,828	(1,928)
Telephone	6,700	5,785	915
Insurance and Bonds	37,000	30,391	6,609
Supplies	4,000	1,508	2,492
Building Cleaning	4,000	878	3,122
Building Maintenance and Other	14,300	5,306	8,994
Banner Installation	1,100	-	1,100
Christmas Lights	500	3,470	(2,970)
Equipment Replacement	5,500	475	5,025
Uniforms	2,200	989	1,211
Grant Expense	-	188	(188)
Travel, Training, Conferences	250	273	(23)
Advertisements	100	90	10
Street Sign Replacement	1,500	-	1,500
Total Streets	<u>378,543</u>	<u>297,505</u>	<u>81,038</u>
<u>Sanitation</u>			
Salaries	10,857	6,663	4,194
Social Security	831	496	335
Group Hospitalization	4,700	1,572	3,128
Retirement	1,489	877	612
Workman's Compensation	1,200	728	472
Truck Expense	5,000	1,559	3,441
Insurance and Bonds	1,500	982	518
Supplies	250	-	250
Equipment Replacement	2,000	-	2,000
Uniforms	1,100	1,023	77
Solid Waste Contract	183,490	169,466	14,024
Grant Expense	-	188	(188)
Advertisements	75	80	(5)
Total Sanitation	<u>212,492</u>	<u>183,634</u>	<u>28,858</u>
<u>Municipal Court</u>			
Salaries	22,370	17,151	5,219
Social Security	1,711	1,320	391
Retirement	3,055	2,127	928
Workman's Compensation	420	275	145
Jurors	600	-	600
Telephone	420	-	420
Insurance and Bonds	1,400	669	731
Office Supplies	1,600	602	998
Office Equip (Rep & Main)	100	-	100
Public Defenders Fees	1,000	-	1,000
Travel, Training, Conferences	1,000	1,180	(180)
Miscellaneous	100	-	100
Membership Fees	350	50	300
Professional Services	640	-	640
Total Municipal Court	<u>34,766</u>	<u>23,374</u>	<u>11,392</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2018

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Parks and Recreation</u>			
Hospitality Tax	48,560	36,188	12,372
YMCA	12,000	12,028	(28)
Total Parks and Recreation	<u>60,560</u>	<u>48,216</u>	<u>12,344</u>
<u>Various</u>			
Election	700	712	(12)
Economic Development	150	-	150
Library	25,100	17,209	7,891
Contingent	21,300	12,296	9,004
Total Various	<u>47,250</u>	<u>30,217</u>	<u>17,033</u>
<u>Capital Outlay</u>			
Capital Outlay-Police	-	59,918	(59,918)
Capital Outlay-Fire	9,500	258,039	(248,539)
Capital Outlay-Public Properties	-	3,800	(3,800)
Total Capital Outlay	<u>9,500</u>	<u>321,757</u>	<u>(312,257)</u>
<u>Debt Service</u>			
Principal	95,362	74,925	20,437
Interest	-	13,561	(13,561)
Total Debt Service	<u>95,362</u>	<u>88,486</u>	<u>6,876</u>
 TOTAL EXPENDITURES	 <u>1,613,909</u>	 <u>1,700,425</u>	 <u>(86,616)</u>
 OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	50,001	50,001
Total Other Financing Sources (Uses)	<u>-</u>	<u>50,001</u>	<u>50,001</u>
 EXCESS of REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ 23,448</u>	 <u>\$ 23,448</u>

TOWN of CHESTERFIELD
Chesterfield, South Carolina

STATEMENT of FINES and ASSESSMENTS
For the Year Ended June 30, 2018

Fines Collected	\$ 17,948
Assessments and Surcharges Collected	25,909
Assessments and Surcharges for Victim's Assistance	<u>3,077</u>
Total Fines, Assessments and Surcharges	<u><u>\$ 46,934</u></u>
Fines and Fees Retained by Town	\$ 17,948
Assessments and Surcharges Retained by Town For Victim's Services	<u>3,077</u>
Total Fines, Assessments and Surcharges Retained by Town	<u><u>\$ 21,025</u></u>
Total Assessments and Surcharges Remitted to State Treasurer	<u><u>\$ 25,909</u></u>
Assessments and Surcharges Retained by Town For Victim's Services	\$ 3,077
Victim Services Expenditures	<u>1,307</u>
Funds Available for Carry-Forward	1,770
Funds Unused Prior Year	<u>43,579</u>
Funds to Carry-forward to Next Year	<u><u>\$ 45,349</u></u>

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to the State Treasurer on the State Treasurer's monthly Remittance Form.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the Town to account for the accumulation and disbursement of restricted resources. The following is a description of the Town's Special Revenue Funds:

Fire 1% - To account for allocation of Fire 1% funds

Old Courthouse - To account for restricted funds to be used to renovate the old courthouse.

Community Development - To account for funds restricted for old revenue sharing program.

Accommodation Tax Funds - To account for grant for recreation

Police, Fire and Public Works (PW) Grants – To account for various state grants

TOWN of CHESTERFIELD
Chesterfield, South Carolina

SPECIAL REVENUE FUNDS
COMBINING STATEMENT of REVENUES and EXPENDITURES
For the Year Ended June 30, 2018

	Fire 1% Fund	Old Courthouse	Community Development	Accom. Tax Funds. Rec.	Police, Fire and PW Grant	Total
REVENUES						
Grant Income	\$ 8,002	\$ -	\$ -	\$ -	\$ 5,935	\$ 13,937
Local Donations	-	-	-	14,000	-	14,000
Interest	-	-	18	-	-	18
Total Revenues	<u>8,002</u>	<u>-</u>	<u>18</u>	<u>14,000</u>	<u>5,935</u>	<u>27,955</u>
EXPENDITURES						
Special Activities	<u>8,326</u>	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>5,935</u>	<u>28,261</u>
Total Expenditures	<u>8,326</u>	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>5,935</u>	<u>28,261</u>
EXCESS (DEFICIENCY) of REVENUES over (under) EXPENDITURES	(324)	-	18	-	-	(306)
BEGINNING FUND BALANCE	<u>1,452</u>	<u>(63,907)</u>	<u>12,017</u>	<u>-</u>	<u>-</u>	<u>(50,438)</u>
ENDING FUND BALANCE	<u>\$ 1,128</u>	<u>\$ (63,907)</u>	<u>\$ 12,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,744)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAPITAL PROJECTS FUNDS

The Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities by the Town. The following is a description of the Town's Capital Project Funds:

Cheraw/Chesterfield Industrial Park - This fund is used to account for a joint venture with Chesterfield to develop an industrial park.

Economic Development Fund - This fund is used to account for capital improvements funded by various sources.

TOWN of CHESTERFIELD
 Chesterfield, South Carolina

CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT of REVENUES and EXPENDITURES
 For the Year Ended June 30, 2018

	Cheraw/ Chesterfield Industrial Park	Economic Development Fund	Total
REVENUE			
Other Income	\$ -	\$ 21,648	\$ 21,648
Interest	-	128	128
Total Revenue	<u>-</u>	<u>21,776</u>	<u>21,776</u>
EXPENDITURES			
General Government	-	27,438	27,438
Debt Service			
Principal	-	7,461	7,461
Interest	-	7,103	7,103
Total Expenditures	<u>-</u>	<u>42,002</u>	<u>42,002</u>
OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	15,000	15,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>15,000</u>	<u>15,000</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	-	(5,226)	(5,226)
BEGINNING FUND BALANCE	<u>14,449</u>	<u>295,721</u>	<u>310,170</u>
ENDING FUND BALANCE	<u>\$ 14,449</u>	<u>\$ 290,495</u>	<u>\$ 304,944</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROPRIETARY FUND

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2018

	Water and Sewer Fund				Variance Favorable (Unfavorable)
	Budget	Water Actual	Sewer Actual	Total Actual	
OPERATING REVENUES					
Water Charges	\$ 361,900	\$ 376,913	\$ -	\$ 376,913	\$ 15,013
DHEC Fees	3,600	3,287	412	3,699	99
Sewer Service	420,200	-	440,321	440,321	20,121
Late Charges	8,000	3,949	4,007	7,956	(44)
Standby Charge Sprinklers	8,900	6,989	-	6,989	(1,911)
Tap Fees - Water	2,000	2,000	-	2,000	-
Tap Fees - Sewer	2,000	-	3,500	3,500	1,500
Reconnect Fees	8,300	4,146	4,116	8,262	(38)
Other Income	700	615	3,613	4,228	3,528
Total Operating Revenues	<u>815,600</u>	<u>397,899</u>	<u>455,969</u>	<u>853,868</u>	<u>38,268</u>
OPERATING EXPENSES					
<u>Supplies and Line Repairs</u>					
Administration Costs	30,900	31,633	-	31,633	(733)
Maintenance to System	84,100	58,870	14,908	73,778	10,322
Supplies - Water	248,000	63,631	-	63,631	184,369
Total Supplies and Line Repairs	<u>363,000</u>	<u>154,134</u>	<u>14,908</u>	<u>169,042</u>	<u>193,958</u>
<u>Certificate Cost and Membership Fees</u>					
Certificate Cost and Membership Fees	4,044	4,079	-	4,079	(35)
Total Certificate Cost and Membership Fees	<u>4,044</u>	<u>4,079</u>	<u>-</u>	<u>4,079</u>	<u>(35)</u>
<u>Utilities</u>					
Electricity - Water and Sewer Distribution	1,000	841	-	841	159
Electricity - Wastewater Treatment	11,000	-	7,268	7,268	3,732
Electricity - Sewer	35,000	-	35,798	35,798	(798)
Total Utilities	<u>47,000</u>	<u>841</u>	<u>43,066</u>	<u>43,907</u>	<u>3,093</u>
<u>Office Supplies</u>					
Office Supplies	5,000	4,528	-	4,528	472
Total Office Supplies	<u>5,000</u>	<u>4,528</u>	<u>-</u>	<u>4,528</u>	<u>472</u>
<u>Insurance and Bonds</u>					
Insurance and Bonds	2,100	2,017	804	2,821	(721)
Total Insurance and Bonds	<u>2,100</u>	<u>2,017</u>	<u>804</u>	<u>2,821</u>	<u>(721)</u>
<u>Professional Services</u>					
Professional Services	961	239	93,380	93,619	(92,658)
Total Professional Services	<u>961</u>	<u>239</u>	<u>93,380</u>	<u>93,619</u>	<u>(92,658)</u>
<u>Other Expenses</u>					
Bad Check Fees	120	60	-	60	60
Travel and Related	1,100	15	1,603	1,618	(518)
Advertising	350	-	-	-	350
Membership Fees	-	350	-	350	(350)
Telephone	9,080	-	8,490	8,490	590
Total Other Expenses	<u>10,650</u>	<u>425</u>	<u>10,093</u>	<u>10,518</u>	<u>132</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2018

	Water and Sewer Fund				Variance
	Budget	Water Actual	Sewer Actual	Total Actual	Favorable (Unfavorable)
OPERATING EXPENSES (Continued)					
Depreciation					
Depreciation	-	71,803	167,222	239,025	(239,025)
Total Depreciation	-	71,803	167,222	239,025	(239,025)
TOTAL OPERATING EXPENSES	432,755	238,066	329,473	567,539	(134,784)
OPERATING INCOME (LOSS)	382,845	159,833	126,496	286,329	(96,516)
NON-OPERATING INCOME (EXPENSE)					
Investment Income	50	219	-	219	169
Interest Expense	(382,895)	(22,635)	(93,969)	(116,604)	266,291
Total Non-operating Income (Expense)	(382,845)	(22,416)	(93,969)	(116,385)	266,460
CHANGE in NET POSITION	\$ -	\$ 137,417	\$ 32,527	\$ 169,944	\$ 169,944

CANTEY, TILLER, PIERCE & GREEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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

Honorable Mayor and
Members of the Town Council
Town of Chesterfield
Chesterfield, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Chesterfield, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Chesterfield, South Carolina's basic financial statements and have issued our report thereon dated December 15, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify certain deficiencies in internal control, described below that we consider being significant deficiencies.

Findings and Responses

Financial Statement Preparation

Condition – Based on the experience level of the accounting staff at the Town of Chesterfield, South Carolina, we drafted the financial statement and note disclosures.

Criteria – The financial statements are the responsibility of the Town.

Cause – The accounting staff of the accounting firm drafts the financial statements and note disclosures.

Effect – The accounting staff firm drafting the financial statements requires additional procedures to be completed by management to insure that management takes responsibility for the financial statements.

Recommendation – Management is provided with a preliminary draft and asked that they review the financial statements to determine the completeness and accuracy of the financial information. Management has reviewed the financial statements and approved them. Subsequent to approval, a final report was issued.

Response - Management will review the financial statements to determine the completeness and accuracy of the financial information and then approve the report.

Separation of Duties

Condition: During our audit we reviewed procedures over transaction cycles related to receipting, cash disbursements, utility billing, and payroll and found the Town to have limited segregation of duties related to the disbursements cycle.

Criteria: Adequate separation of duties calls for clear segregation of functions such as receipts, disbursements, recording, custody of assets, transaction authorization, and performance monitoring.

Cause: The accounting staff of the Town maintains and controls the check stock, prepares checks, records disbursements, prepares deposits and posts to general ledger.

Effect: The existence of this limited segregation of duties increases the risk of misstatement or fraud.

Recommendation: While we recognize the number of staff is not large enough to eliminate these deficiencies entirely, we believe the risk can be reduced by another person reviewing cancelled checks, unopened bank statements and bank reconciliations.

Response - Considering the lack of separation of responsibility, Council and management maintains an awareness of the internal control structure when making accounting and administrative decisions to ensure that reasonable adequate policies and procedures exist and are maintained.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chesterfield, South Carolina'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*.

Town of Chesterfield, South Carolina's Response to Findings

Town of Chesterfield, South Carolina's response to the findings identified in our audit is described above. Town of Chesterfield, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted certain other matters that were reported to management of the Town of Chesterfield, South Carolina in separate letter dated December 15, 2018.

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.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

December 15, 2018