

TOWN OF ESTILL, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2020

WITH

INDEPENDENT AUDITORS' REPORT

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GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of Town Council
Town of Estill, South Carolina
Post Office Box 415
Estill, SC 29918

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Estill, South Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Special Revenue Fund	Unmodified
Water and Sewer Fund	Unmodified
Refuse Fund	Unmodified

Basis for Qualified Opinion on Governmental Activities

As discussed in *Note 1* to the basic financial statements we were not able to obtain sufficient audit evidence for the Town's governmental activities' capital assets; nor were we able to satisfy ourselves as to the correct carrying value of these capital assets by other auditing procedures.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material aspects, the financial position of the Governmental Activities of the Town of Estill as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town, as of June 30, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The Town reported a significant decrease in net position for its governmental activities. This matter is discussed in detail in *Note 13*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, and Schedule of South Carolina Retirement Systems Contributions on pages 4–12, 47, and 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Revenues, Expenses and Changes in Proprietary Fund Net Position – Budget to Actual and the Schedule of Court Fines, Assessments, and Surcharges on pages 49 and 50 is other financial information and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Revenues, Expenses, and Changes in Proprietary Funds Net Position – Budget to Actual has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Brittingham Group LLP

West Columbia, South Carolina
October 7, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town Administrator of the Town of Estill submits to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business Type Activities assets of the Town of Estill exceeded its combined liabilities at the end of the fiscal year by \$8,995,298 (net position). The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$3,929,173 and combined expenses totaled \$3,632,506. Accordingly, combined revenues exceeded expenses by \$148,951.

At the end of fiscal year 2020, the governmental funds restricted fund balance was \$135,162, the assigned fund balance was \$18,830 and the unassigned fund balance was \$582,904. Accordingly, \$582,904 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$694,957 for the General Fund, the Town's principal operating fund.

The Town of Estill Business Type Activities reported an increase in net position at the end of the fiscal year in the amount of \$353,880.

At the end of fiscal year 2020, the Town of Estill Business Type Activity reported unrestricted cash and cash equivalents of \$592,035 and restricted cash and cash equivalents of \$446,476.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The governmental activities of the Town of Estill include administration, police, fire, streets, recreation, community development, non-departmental and interest on long-term debt. The business-type activity of the Town of Estill is the water and wastewater utility system.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 13 - 14 of this document.

Fund financial statements. A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town of Estill, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Estill can be divided into these categories:

Governmental funds

Proprietary funds

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

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

Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund only since no other governmental funds are considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. The Town adopts an annual operating and capital budget for the General and Proprietary funds. The basic governmental fund financial statements are listed on pages 15 - 19 of this document.

Proprietary funds. The Town maintains two enterprise funds, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town uses enterprise funds to account for its public utility system, comprised of water and wastewater operations and the garbage collection operations. Proprietary funds provide the same types of information as the government-wide financial statements.

The basic proprietary funds financial statements can be found on pages 20 - 24 of this report.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 25 - 46 of this document.

Other information. In addition to the basic financial statements and accompanying notes, these reports also represent certain other financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2020 financial statements are the 12th consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2020, the government-wide statements are reported using and economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Estill assets exceeded liabilities by \$8,995,298 at the close of fiscal year 2020. Net position is reported in three categories:

Net investment in capital assets
Restricted
Unrestricted

\$	8,760,556
	581,638
	(346,896)
\$	<u>8,995,298</u>

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

The following tables present a summary of the Town's Statement of Net Position as of June 2020 and 2019:

Town of Estill's Condensed Statement of Net Position - June 2020

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 897,407	\$ 1,265,524	\$ 2,162,931
Capital assets	1,321,031	10,637,533	11,958,564
Total assets	2,218,438	11,903,057	14,121,495
Deferred pension outflows	233,135	104,894	338,029
Total assets and deferred outflows	2,451,573	12,007,951	14,459,524
Long-term liabilities outstanding	1,074,281	3,564,599	4,638,880
Other liabilities	183,737	453,058	636,795
Total liabilities	1,258,018	4,017,657	5,275,675
Deferred pension inflows	86,728	101,823	188,551
Total liabilities and deferred inflows	1,344,746	4,119,480	5,464,226
Net position:			
Net investment in capital assets	1,266,922	7,493,634	8,760,556
Restricted - expendable	135,162	446,476	581,638
Unrestricted	(295,257)	(51,639)	(346,896)
Total net position	\$ 1,106,827	\$ 7,888,471	\$ 8,995,298

Town of Estill's Condensed Statement of Net Position - June 2019

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 734,913	\$ 1,097,334	\$ 1,832,247
Capital assets	1,435,723	10,763,887	12,199,610
Total assets	2,170,636	11,861,221	14,031,856
Deferred pension outflows	238,135	126,985	365,120
Total assets and deferred outflows	2,408,771	11,988,206	14,396,976
Long-term liabilities outstanding	84,813	3,410,999	3,495,812
Other liabilities	943,965	905,036	1,849,001
Total liabilities	1,028,778	4,316,035	5,344,813
Deferred pension inflows	68,237	137,580	205,817
Total liabilities and deferred inflows	1,097,015	4,453,615	5,550,630
Net position:			
Net investment in capital assets	1,350,910	7,365,052	8,715,962
Restricted - expendable	46,105	360,034	406,139
Unrestricted	(85,259)	(190,495)	(275,754)
Total net position	\$ 1,311,756	\$ 7,534,591	\$ 8,846,347

The following tables are summaries of revenues and expenses for fiscal years 2020 and 2019:

Town of Estill's Statement of Activities - June 2020

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 52,936	\$ 1,947,829	\$ 2,000,765
Capital grants and contributions	11,850	368,855	380,705
General revenues	1,246,964	4,072	1,251,036
Total revenue	<u>1,311,750</u>	<u>2,320,756</u>	<u>3,632,506</u>
Expenses:			
Administration	271,183	-	271,183
Public Works	229,958	-	229,958
Police	1,098,776	-	1,098,776
Fire	77,322	-	77,322
Interest on long-term debt	1,241	-	1,241
Combined water and sewer expenses	-	1,701,364	1,701,364
Refuse Fund	-	103,711	103,711
Total expenses	<u>1,678,480</u>	<u>1,805,075</u>	<u>3,483,555</u>
Increase (decrease) in net position before transfers	(366,730)	515,681	148,951
Transfers	161,801	(161,801)	-
Increase (decrease) in net position	<u>\$ (204,929)</u>	<u>\$ 353,880</u>	<u>\$ 148,951</u>

Town of Estill's Statement of Activities - June 2019

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 139,339	\$ 1,952,189	\$ 2,091,528
Capital grants and contributions	130,140	479,613	609,753
General revenues	1,227,814	78	1,227,892
Total revenue	<u>1,497,293</u>	<u>2,431,880</u>	<u>3,929,173</u>
Expenses:			
Administration	322,561	-	322,561
Public Works	175,973	-	175,973
Police	1,102,627	-	1,102,627
Fire	36,043	-	36,043
Interest on long-term debt	(1,606)	-	(1,606)
Combined water and sewer expenses	-	1,696,289	1,696,289
Refuse Fund	-	103,980	103,980
Total expenses	<u>1,635,598</u>	<u>1,800,269</u>	<u>3,435,867</u>
Increase (decrease) in net position before transfers	(138,305)	631,611	493,306
Transfers	165,826	(165,826)	-
Increase (decrease) in net position	<u>\$ 27,521</u>	<u>\$ 465,785</u>	<u>\$ 493,306</u>

Governmental activities. Governmental activities net position decreased \$366,730 before transfers, during the fiscal year. After transfers of \$161,801 from Business-type activities, Governmental activities resulted in a \$204,929 decrease in net position. Governmental activities revenues showed a decrease when compared to fiscal year 2019 due to fewer grants and contributions. Charges for services and general revenues have decreased as a result of decreased court fines collections. The Town incurred \$42,882 more in expenditures mostly due to increased uniform purchases made when compared to the prior fiscal year. Police expenditures were only \$3,851 less than the prior year. Immediate action is needed to curtail police department spending or reduce the level of service offered by the police department. Additionally, a determination needs to be made about the general level of services being offered along with commensurate reduction in spending for non-essential programs and functions.

Business-type activities. Business-type activities consist of the public water and wastewater system and the garbage collection and disposal system. Total revenues in the amount of \$2,320,756 exceeded total expenses in the amount of \$1,805,075 for an operational increase in net position of \$515,681. \$161,801 was transferred to Governmental Activities to reconcile operational losses in Governmental activities. After transfers, Business-type activities incurred a \$353,880 increase in net position. Compared to fiscal year 2019, Business-type activities are trending downward since the 2020 fiscal year incurred less of an operational increase by \$111,905 after transfers. However, Business-type activity revenues are still not sufficient to fund needed reserve accounts as required by the Series 2017 Revenue Bond agreement. Immediate action is needed to increase water and sewer billing rates in order to fund reserve account requirements mandated by the Series 2017 Revenue Bond agreement or to refinance the Series 2017 Revenue Bond through the USDA.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus on the Town's Governmental Fund is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of fiscal year 2020, the Town's Governmental Funds reported a combined ending fund balance of \$736,896. The Town's General Fund reported an ending balance of \$694,957. The General Fund represents 94% of the total fund balance of all Governmental Funds.

Proprietary funds. The Town's largest component of proprietary fund net position is the investment in capital assets, net of related debt, \$7,493,634 or 95% of the Town's total proprietary fund net assets. The Town should endeavor to fully account for depreciation and amortization of capital assets. The Refuse Fund's financial performance netted an increase in net position of \$13,865 not including transfers. The increase in net position net of transfers was \$9,277. This increase was due to increased service revenues when compared to the prior year. Current Water and Sewer Fund revenues cannot fund all required reserve accounts for the Series 2017 Revenue Bond; therefore, water and sewer rates must be increased immediately.

GENERAL FUND HIGHLIGHTS

Selected variances between fiscal years 2020 and 2019 General Fund actual revenues were as follows:

- (\$ 86,403) Court fines 62.01% decrease

Court fines decreased by 62.01% due to decreased collections of court fines throughout the year. Town management is evaluating police and court services offered and will make more cost-effective adjustments in future years.

PROPRIETARY FUNDS HIGHLIGHTS

Selected variances between fiscal years 2020 and 2019 Proprietary Fund actual revenues were as follows:

- (\$ 110,758) Capital grants and contributions 23.39% decrease

The variance in Proprietary Fund revenues between fiscal years 2020 and 2019 is less significant on a year to year basis except for capital grants and contributions.

The 23.39% decrease is due to less funding received from CDBG grants to fund water and sewer system upgrades.

Capital Asset Administration. Governmental Activities had a total of \$438 in asset additions during fiscal year 2020. These asset additions were composed of one land acquisition. Depreciation expense for Governmental Activities was \$115,130.

Business-Type Activities had a total of \$371,891 in asset additions during fiscal year 2020. These asset additions were composed of utility plant additions of \$371,891. Depreciation expense for Business-Type Activities was \$498,244.

The charts below detail the net effect of all transactions noted above to capital assets between fiscal year 2019 and 2020:

Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2020

	Governmental Activities	Business-Type Activities	Total
Land	\$ 399,968	\$ 453,375	\$ 853,343
Construction in process	225,000	472,801	697,801
Land improvements	193,822	-	193,822
Buildings	1,562,652	-	1,562,652
Equipment	359,590	430,723	790,313
Vehicles	750,787	177,118	927,905
Utility plant	-	17,377,430	17,377,430
Accumulated depreciation	(2,170,788)	(8,273,914)	(10,444,702)
	<u>\$ 1,321,031</u>	<u>\$ 10,637,533</u>	<u>\$ 22,403,266</u>

Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2019

	Governmental Activities	Business-Type Activities	Total
Land	\$ 399,530	\$ 453,375	\$ 852,905
Construction in process	225,000	472,801	697,801
Land improvements	193,822	-	193,822
Buildings	1,562,652	-	1,562,652
Equipment	359,590	430,723	790,313
Vehicles	759,282	210,723	970,005
Utility plant	-	17,005,539	17,005,539
Accumulated depreciation	(2,064,153)	(7,809,274)	(9,873,427)
	<u>\$ 1,435,723</u>	<u>\$ 10,763,887</u>	<u>\$ 12,199,610</u>

Debt Administration. At the end of fiscal year 2020, the Town of Estill had total debt outstanding (bonds, notes, and capital leases) of \$3,214,411. All the Town's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). \$23,625 represents the amount owed for compensated absences and accrued interest.

	Governmental Activities	Business-Type Activities	Total
Compensated absences	\$ 6,007	\$ 16,403	\$ 22,410
Capital leases	22,818	13,899	36,717
Notes payable	24,069	-	24,069
Revenue bonds	-	3,130,000	3,130,000
Accrued interest	1,215	-	1,215
	<u>\$ 54,109</u>	<u>\$ 3,160,302</u>	<u>\$ 3,214,411</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be moderated by the effects of the economy and systemic deficiencies. General Fund property tax revenues continue a slow decrease due to the declining value of the property tax base. The Town has a substantial stock of dilapidated and blighted properties. Approximately ten (10) percent of residential properties appear to be blighted. A much higher percentage of the residential housing stock is substandard. These factors contribute to the overall appearance of the Town and is thought to discourage residential, commercial, and industrial development and redevelopment.

The Town continues to pay off large portions of general obligation and revenue bond debt. Over the last seven years, the Town has substantially increased budgetary and non-budgetary spending for engineering and capital improvements to the water and wastewater utilities. This trend will need to continue in order to address past deferred capital and maintenance deficiencies.

The Town unfortunately had two catastrophic events since the month of January 2020. The arrival of the COVID-19 pandemic has affected businesses as well as residents. Revenues in sales taxes dropped through June of 2020 and will continue that trend into the next fiscal year as businesses have either closed or have had to lessen their business hours.

On April 13, 2020, a tornado hit just outside of Town damaging the Federal Correction Institution the Town provides water and sewer services to. This has resulted in lower revenues for the water and sewer utilities fund as consumption at the prison will continue to be at a loss of approximately 52% in the next 2 fiscal years until the repairs to the facility are accomplished and inmates return.

REQUESTS FOR INFORMATION

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

Town Administrator
Town of Estill
Post Office Box 415
Estill, South Carolina 29918.

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TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents - unrestricted	\$ 594,634	\$ 592,035	\$ 1,186,669
Cash and cash equivalents - restricted	135,162	446,476	581,638
Receivables, net of allowance:			
Accounts, net	-	227,013	227,013
State revenue	161,071	-	161,071
Grant revenue	6,540	-	6,540
Capital assets:			
Non-depreciable	624,968	926,176	1,551,144
Depreciable, net of accumulated depreciation	696,063	9,711,357	10,407,420
Total assets	<u>2,218,438</u>	<u>11,903,057</u>	<u>14,121,495</u>
Deferred outflows of resources			
Deferred pension outflows	<u>233,135</u>	<u>104,894</u>	<u>338,029</u>
Total assets and deferred outflows of resources	<u>2,451,573</u>	<u>12,007,951</u>	<u>14,459,524</u>
Liabilities			
Accounts payable	24,702	47,608	72,310
Other accrued liabilities	10,809	34,000	44,809
Customer deposits	-	94,695	94,695
Deferred revenue	125,000	-	125,000
Pension liabilities	1,043,398	681,052	1,724,450
Long-term liabilities:			
Due within one year	23,226	276,755	299,981
Due in more than one year	30,883	2,883,547	2,914,430
Total liabilities	<u>1,258,018</u>	<u>4,017,657</u>	<u>5,275,675</u>
Deferred inflows of resources			
Deferred pension inflows	<u>86,728</u>	<u>101,823</u>	<u>188,551</u>
Total liabilities and deferred inflows of resources	<u>1,344,746</u>	<u>4,119,480</u>	<u>5,464,226</u>
Net position			
Net investment in capital assets	1,266,922	7,493,634	8,760,556
Restricted net position - spendable	135,162	446,476	581,638
Unrestricted	(295,257)	(51,639)	(346,896)
Total net position	<u>\$ 1,106,827</u>	<u>\$ 7,888,471</u>	<u>\$ 8,995,298</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:							
Governmental activities							
Administration	\$ 271,183	\$ -	\$ -	\$ (271,183)	\$ -	\$ (271,183)	
Public Works department	229,958	-	-	(229,958)	-	(229,958)	
Police department	1,098,776	52,936	10,984	(1,034,856)	-	(1,034,856)	
Fire department	77,322	-	866	(76,456)	-	(76,456)	
Interest on long-term debt	1,241	-	-	(1,241)	-	(1,241)	
Total governmental activities	1,678,480	52,936	11,850	(1,613,694)	-	(1,613,694)	
Business-type activities							
Water and sewer	1,701,364	1,830,284	368,855	-	497,775	497,775	
Refuse	103,711	117,545	-	-	13,834	13,834	
Total business-type activities	1,805,075	1,947,829	368,855	-	511,609	511,609	
Total Primary Government	3,483,555	2,000,765	380,705	(1,613,694)	511,609	(1,102,085)	
General revenues and transfers:							
General revenues:							
Property and vehicle				558,686	-	558,686	
Licenses, permits and franchise fees				168,516	-	168,516	
State shared revenues				292,744	-	292,744	
Other shared revenues				170,335	-	170,335	
Unrestricted grants				29,375	-	29,375	
Unrestricted investment earnings				228	109	337	
Gain on sale of fixed assets				-	3,963	3,963	
Miscellaneous				27,080	-	27,080	
Transfers in/(out) to local government				161,801	(161,801)	-	
Total general revenues and transfers				1,408,765	(157,729)	1,251,036	
Change in net position				(204,929)	353,880	148,951	
Net position, at beginning of year				1,311,756	7,534,591	8,846,347	
Net position, end of year				\$ 1,106,827	\$ 7,888,471	\$ 8,995,298	

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2020

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents - unrestricted	\$ 575,804	\$ 18,830	\$ 594,634
State revenue, receivable	161,071	-	161,071
Grants receivable	6,540	-	6,540
Cash and cash equivalents - restricted	112,053	23,109	135,162
Total assets	855,468	41,939	897,407
Liabilities and fund balances			
Liabilities			
Accounts payable	24,702	-	24,702
Other accrued liabilities	10,809	-	10,809
Deferred revenue	125,000	-	125,000
Total liabilities	160,511	-	160,511
Fund balances			
Restricted	112,053	23,109	135,162
Assigned	-	18,830	18,830
Unassigned	582,904	-	582,904
Total fund balances	694,957	41,939	736,896
Total liabilities and fund balances	\$ 855,468	\$ 41,939	\$ 897,407

Reconciliation to the statement of net position

Total fund balances - governmental funds \$ 736,896

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Capital assets, cost	\$ 3,491,819	
Accumulated depreciation	(2,170,788)	
		1,321,031

Long-term liabilities, including bonds payable, notes payable, Net pension liabilities, deferred inflows, deferred outflows and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:

Deferred pension outflows	233,135
Deferred pension inflows	(86,728)
Net pension liabilities	(1,043,398)
Accrued interest payable	(1,215)
Compensated absences payable	(6,007)
Capital leases	(22,818)
Notes payable	(24,069)

Net position of governmental activities	\$ 1,106,827
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See accompanying notes.

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

	General	Special Revenue	Total Governmental Funds
Revenues			
Property and vehicle taxes	\$ 558,686	\$ -	\$ 558,686
Licenses, permits, and franchise fees	168,516	-	168,516
Court fines	52,936	-	52,936
State shared revenues	292,744	-	292,744
Other shared revenues	170,335	-	170,335
Grant revenue	41,225	-	41,225
Miscellaneous income	19,982	7,326	27,308
Total revenues	<u>1,304,424</u>	<u>7,326</u>	<u>1,311,750</u>
Expenditures			
Administration	252,548	-	252,548
Public Works	198,125	-	198,125
Police	904,010	-	904,010
Fire	40,758	31,283	72,041
Debt service	19,108	-	19,108
Total expenditures	<u>1,414,549</u>	<u>31,283</u>	<u>1,445,832</u>
Excess (deficit) of revenues over (under) expenditures	<u>(110,125)</u>	<u>(23,957)</u>	<u>(134,082)</u>
Other Financing Sources (uses)			
Transfers in	141,801	20,000	161,801
Total other financing sources	<u>141,801</u>	<u>20,000</u>	<u>161,801</u>
Net change in fund balance	31,676	(3,957)	27,719
Fund balance, beginning of year	663,281	45,896	709,177
Fund balance, end of year	<u>\$ 694,957</u>	<u>\$ 41,939</u>	<u>\$ 736,896</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

Net change in fund balance - total governmental funds	\$ 27,719
Amounts reported for governmental activities in the Statement of Activities are different due to the following:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.	
Depreciation	\$ (115,130)
Capital outlays	437
Net change in capital assets	(114,693)
Net change in in pension assets and liabilities for the current year. This is an expenditure for governmental funds and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(148,661)
Repayment of a capital lease and note payable is an expenditure in the governmental funds, and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	29,525
Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	633
In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used.	548
Change in net position of governmental activities	<u>\$ (204,929)</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Revenue				
Property and vehicle taxes	\$ 502,716	\$ 502,716	\$ 558,686	\$ 55,970
Licenses, permits, and franchise fees	189,400	189,400	168,516	(20,884)
State shared revenue	265,680	265,680	292,744	27,064
Municipal Association of South Carolina	141,500	141,500	170,335	28,835
Court fines	46,300	46,300	52,936	6,636
Grants	329,644	329,644	41,225	(288,419)
Miscellaneous income	19,680	19,680	19,982	302
Total revenue	<u>1,494,920</u>	<u>1,494,920</u>	<u>1,304,424</u>	<u>(190,496)</u>
Expenditures				
Salaries, taxes and benefits	715,354	715,354	814,335	(98,981)
Contract labor	5,000	5,000	5,380	(380)
Utilities	22,100	22,100	24,583	(2,483)
Materials and supplies	14,735	14,735	25,682	(10,947)
Insurance	45,070	45,070	55,903	(10,833)
Gas, oil and tires	38,750	38,750	47,664	(8,914)
Administrative fees	35,000	35,000	20,000	15,000
Legal and audit	40,468	40,468	42,305	(1,837)
Bookkeeping services	9,216	9,216	9,351	(135)
Other professional fees	5,700	5,700	14,863	(9,163)
Training and workshops	4,865	4,865	2,608	2,257
Court expenses	32,742	32,742	1,575	31,167
Victims Advocate	3,400	3,400	4,956	(1,556)
Dispatching	32,514	32,514	32,898	(384)
Telephone	35,600	35,600	38,031	(2,431)
Travel and lodging	21,288	21,288	13,239	8,049
Office supplies	3,914	3,914	2,501	1,413
Dues and subscriptions	11,719	11,719	15,986	(4,267)
Advertising	3,000	3,000	2,546	454
Fall Festival	10,663	10,663	10,663	-
Bank charges	580	580	441	139
Capital improvements	85,968	85,968	13,641	72,327
Dog pound	5,000	5,000	5,000	-
Economic development	205,825	205,825	-	205,825
Pest control	3,200	3,200	1,217	1,983
Repairs and maintenance	76,835	76,835	73,169	3,666

(CONTINUED)

TOWN OF ESTILL, SOUTH CAROLINA

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

(CONTINUED)

	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Street lights	-	-	64,227	(64,227)
Postage	3,300	3,300	2,977	323
Debt service	19,108	19,108	14,050	5,058
Miscellaneous	28,306	28,306	54,758	(26,452)
Total expenditures	1,519,220	1,519,220	1,414,549	104,671
Excess (deficit) of revenue over (under) expenditures	(24,300)	(24,300)	(110,125)	(85,825)
Other financing resources	14,000	14,000	-	(14,000)
Transfers in	10,300	10,300	141,801	131,501
Change in fund balance	\$ -	\$ -	\$ 31,676	\$ 31,676

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2020

	Water and Sewer	Refuse	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 531,997	\$ 60,038	\$ 592,035
Restricted cash	446,476	-	446,476
Accounts receivable, net	201,065	25,948	227,013
Due from Refuse Fund	-	25,005	25,005
Non-current assets			
Property, plant and equipment, net	10,637,533	-	10,637,533
Total assets	11,817,071	110,991	11,928,062
Deferred outflows of resources			
Deferred pension outflows	104,894	-	104,894
Total assets and deferred outflows of resources	11,921,965	110,991	12,032,956
Liabilities			
Current liabilities			
Accounts payable	40,320	7,288	47,608
Other accrued liabilities	34,000	-	34,000
Due to Refuse Fund	25,005	-	25,005
Customer deposits	94,695	-	94,695
Compensated absences payable	16,403	-	16,403
Capital lease	10,352	-	10,352
Revenue bonds payable	250,000	-	250,000
Non-current liabilities			
Net pension liabilities	681,052	-	681,052
Capital lease	3,547	-	3,547
Revenue bonds payable	2,880,000	-	2,880,000
Total liabilities	4,035,374	7,288	4,042,662

(CONTINUED)

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

-CONTINUED-

	Water and Sewer	Refuse	Total
Deferred inflows of resources			
Deferred pension inflows	101,823	-	101,823
Total liabilities and deferred inflows of resources	4,137,197	7,288	4,144,485
Net position			
Net investment in capital assets	7,493,634	-	7,493,634
Restricted net position - spendable	446,476	-	446,476
Unrestricted - unfunded pension obligation	(677,981)	-	(677,981)
Unrestricted - other	522,639	103,703	626,342
Total net position	\$ 7,784,768	\$ 103,703	\$ 7,888,471

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION OF PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Water and Sewer	Refuse	Total
Operating revenue			
Water, Sewer, and Refuse service sales	\$ 1,763,168	\$ 117,545	\$ 1,880,713
Penalty fees	28,670	-	28,670
Reconnection fees	15,415	-	15,415
Operating grants	7,735	-	7,735
Other income	15,296	-	15,296
Total operating revenue	<u>1,830,284</u>	<u>117,545</u>	<u>1,947,829</u>
Operating expenses			
Salaries and employee benefits	446,275	-	446,275
Electricity and utilities	109,765	-	109,765
Materials and supplies	41,115	86,800	127,915
Chemicals and laboratory analysis	15,976	-	15,976
Depreciation	498,244	-	498,244
Insurance	63,913	1,322	65,235
Gas, oil, tires and repairs	14,658	30	14,688
Contracted services	155,690	7,636	163,326
Training, lodging	424	-	424
Telephone	9,586	-	9,586
Office supplies	1,139	-	1,139
DHEC permits	13,741	-	13,741
Repairs and maintenance, engineering and capital equipment	195,730	1,236	196,966
Miscellaneous	52,937	6,687	59,624
Total operating expenses	<u>1,619,193</u>	<u>103,711</u>	<u>1,722,904</u>
Operating income	211,091	13,834	224,925
Nonoperating revenue (expenses)			
Interest income	78	31	109
Capital grant	368,855	-	368,855
Gain from sale of assets	3,963	-	3,963
Debt service (interest expense)	(82,171)	-	(82,171)
Total nonoperating revenue (expense)	<u>290,725</u>	<u>31</u>	<u>290,756</u>
Income before transfers	501,816	13,865	515,681
Net transfers in (out)	<u>(157,213)</u>	<u>(4,588)</u>	<u>(161,801)</u>
Change in net position	344,603	9,277	353,880
Total net position, beginning	7,440,165	94,426	7,534,591
Total net position, ending	<u>\$ 7,784,768</u>	<u>\$ 103,703</u>	<u>\$ 7,888,471</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Water and Sewer	Refuse	Total
Cash flows from operating activities			
Receipts from customers	\$ 1,853,451	\$ 113,689	\$ 1,967,140
Payments to suppliers	(609,662)	(103,719)	(713,381)
Payments to employees	(558,086)	-	(558,086)
Net cash provided by operating activities	<u>685,703</u>	<u>9,970</u>	<u>695,673</u>
Cash flows from noncapital financing activities			
Transfers to General Fund	(157,213)	(4,588)	(161,801)
Interfund transfers	(2,077)	(8,223)	(10,300)
Net cash used in noncapital financing activities	<u>(159,290)</u>	<u>(12,811)</u>	<u>(172,101)</u>
Cash flows from capital and related financing activities			
Interest	78	31	109
Gain on sale of capital assets	3,963	-	3,963
Capital grant	368,855	-	368,855
Purchase of property and equipment	(371,891)	-	(371,891)
Principal paid on revenue bond maturities	(245,000)	-	(245,000)
Principal paid on capital leases	(9,936)	-	(9,936)
Interest on debt	(82,171)	-	(82,171)
Net cash provided by (used in) capital and related financing activities	<u>(336,102)</u>	<u>31</u>	<u>(336,071)</u>
Net decrease in cash and cash equivalents	190,311	(2,810)	187,501
Cash and cash equivalents, beginning	788,162	62,848	851,010
Cash and cash equivalents, ending	<u>\$ 978,473</u>	<u>\$ 60,038</u>	<u>\$ 1,038,511</u>
 Cash and cash equivalents	 \$ 531,997	 \$ 60,038	 \$ 592,035
Restricted cash	446,476	-	446,476
Total cash and cash equivalents	<u>\$ 978,473</u>	<u>\$ 60,038</u>	<u>\$ 1,038,511</u>

(CONTINUED)

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

-CONTINUED-

	Water and Sewer	Refuse	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 211,091	\$ 13,834	\$ 224,925
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	498,244	-	498,244
Changes in assets, deferred outflows, liabilities and deferred inflows			
Accounts receivable	23,168	(3,856)	19,312
Accounts payable	874	(8)	866
Customer deposits	730	-	730
Accrued interest	(1,562)	-	(1,562)
Other accrued liabilities	2,547	-	2,547
Deferred outflows	22,091	-	22,091
Deferred inflows	(35,757)	-	(35,757)
Net pension liability	(39,962)	-	(39,962)
Compensated absences payable	4,239	-	4,239
Net cash provided by operating activities	<u>\$ 685,703</u>	<u>\$ 9,970</u>	<u>\$ 695,673</u>
Supplemental Information			
Interest paid	<u>\$ 80,609</u>	<u>\$ -</u>	<u>\$ 80,609</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

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

Basis of Presentation

Government-wide Financial Statements

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

Statement of Activities

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

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

Fund Financial Statements

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

-CONTINUED-

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

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

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

Governmental Funds

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

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

Proprietary Funds

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

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Accrual Basis

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

Modified Accrual Basis

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

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

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

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

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

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Water and Sewer Enterprise Fund and the Refuse Enterprise Fund. All annual appropriations lapse at fiscal year-end.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Investments

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

Accounts Receivable

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

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

Short-Term Interfund Receivables/Payables

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

Capital Assets and Depreciation

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

Before the implementation of GASB 34 in June 2003, the Town recorded capital assets as expenditures for governmental activities and no formal record of capital assets was maintained. Therefore, the governmental activities' capital assets are reported in the government-wide financial statements based on management's estimated values of the capital assets when they were acquired or constructed. All assets recorded subsequent to June 2003 in the General Fund are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Business-type activities' capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

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

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

Compensated Absences

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

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$338,029 as of June 30, 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources in the amount of \$188,551 as of June 30, 2020.

Net Position/Fund Balances

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2020, \$581,638 was reported as restricted net position.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

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

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. The Town does not have any restricted fund balance.

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

Unassigned fund balance – All other fund balances that do not meet the definition of "restricted," "assigned," or "committed".

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

Use of Estimates

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

2. Legal Compliance - Budgets

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, Water and Sewer Enterprise Fund, and Refuse Enterprise Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Legal Compliance – Budgets (continued)

4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

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

General Fund budgeted revenue exceeded actual revenue by \$179,196. General Fund budgeted expenditures exceeded actual expenditures by \$93,371. Proprietary Fund budgeted revenue exceeded actual revenue by \$27,190. Proprietary Fund budgeted operating expenditures exceeded actual operating expenditures by \$180,681.

3. Deposits

At June 30, 2020, the carrying amount of the Town's unrestricted and restricted deposits totaled \$1,768,307, and the bank balance was \$1,928,174 all of which was covered by federal depository insurance and other securities provided by financial institutions.

4. Restricted Cash

The restricted cash that is presented in the financial statements consists of various bank accounts that are reserved for a specific purpose and are prohibited from being used in the normal operations of the Town. General Fund restricted cash represents funds held for specific purposes, such as grants and police matters. Special Revenue Fund restricted cash represents funds held for use by the Estill Fire Department. The Water and Sewer Fund restricted cash represents funds held for debt service on revenue bonds, and future construction and funds remaining on grant funds received in advance.

5. Receivables

Receivables at June 30, 2020, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
State revenue	\$ 161,071	\$ -	\$ 161,071
Grant revenue	6,540	-	6,540
Water and sewer billings	-	404,057	404,057
Gross receivables	167,611	404,057	571,668
Less, allowance for uncollectibles	-	(177,044)	(177,044)
Net receivables	\$ 167,611	\$ 227,013	\$ 394,624

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 399,530	\$ 438	\$ -	\$ 399,968
Construction in progress	225,000	-	-	225,000
Total capital assets, not being depreciated	624,530	438	-	624,968
Capital assets, being depreciated				
Buildings	1,562,652	-	-	1,562,652
Land improvements	193,822	-	-	193,822
Equipment	359,590	-	-	359,590
Vehicles	759,282	-	(8,495)	750,787
Total capital assets, being depreciated	2,875,346	-	(8,495)	2,866,851
Less accumulated depreciation for:				
Buildings	(980,782)	(38,849)	-	(1,019,631)
Land improvements	(154,389)	(16,124)	-	(170,513)
Equipment	(279,214)	(20,864)	-	(300,078)
Vehicles	(649,768)	(39,293)	8,495	(680,566)
Total accumulated depreciation	(2,064,153)	(115,130)	8,495	(2,170,788)
Total capital assets, being depreciated, net	811,193	(115,130)	-	696,063
Governmental activities capital assets, net	<u>\$ 1,435,723</u>	<u>\$ (114,692)</u>	<u>\$ -</u>	<u>\$ 1,321,031</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 453,375	\$ -	\$ -	\$ 453,375
Construction in progress	472,801	-	-	472,801
Total capital assets, not being depreciated	926,176	-	-	926,176
Capital assets, being depreciated				
Utility plant	17,005,539	371,891	-	17,377,430
Equipment	430,723	-	-	430,723
Vehicles	210,723	-	(33,605)	177,118
Total capital assets, being depreciated	17,646,985	371,891	(33,605)	17,985,271
Less accumulated depreciation for:				
Utility plant	(7,231,574)	(478,637)	-	(7,710,211)
Equipment	(425,355)	(6,897)	-	(432,252)
Vehicles	(152,346)	(12,710)	33,605	(131,451)
Total accumulated depreciation	(7,809,275)	(498,244)	33,605	(8,273,914)
Total capital assets, being depreciated, net	9,837,710	(126,353)	-	9,711,357
Business-type activities capital assets, net	<u>\$ 10,763,886</u>	<u>\$ (126,353)</u>	<u>\$ -</u>	<u>\$ 10,637,533</u>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 18,010
Public Works	15,916
Police department	76,051
Fire department	5,153
Total depreciation - governmental activities	<u>\$ 115,130</u>

Business type activities:

Water and sewer	\$ 498,244
Total depreciation - business type activities	<u>\$ 498,244</u>

7. Interfund Receivables, Payables and Transfers

Interfund transfers:

	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Refuse Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 157,213	\$ 4,588	\$ 161,801
Water and Sewer Fund	(141,801)	-	-	(141,801)
Refuse Fund	(20,000)	-	-	(20,000)
Total transfers	<u>\$ (161,801)</u>	<u>\$ 157,213</u>	<u>\$ 4,588</u>	<u>\$ -</u>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt

Capital Leases

The Town has the following capital leases outstanding as of June 30, 2020:

Governmental activities

Capital lease dated August 1, 2016, in the original amount of \$36,943 payable in annual installments of \$6,526. This lease is collateralized by Motorola radios

22,818

Total governmental activities

22,818

Business-type activities

Capital lease dated October 2014, in the original amount of \$65,175 payable in monthly installments of \$894. This lease is collateralized by a backhoe

13,899

Total business-type activities

13,899

Total capital leases

\$ 36,717

Debt service requirements to maturity for the capital lease is as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 1,658	\$ 15,598	\$ 17,256
2022	1,017	9,088	10,105
2023	675	5,851	6,526
2024	347	6,180	6,527
	<u>\$ 3,697</u>	<u>\$ 36,717</u>	<u>\$ 40,414</u>

Revenue Bonds

Business-type activities:

The Town also issues revenue bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. During the year ended June 30, 2016, the Town issued bonds in the amount of \$4,090,000. These proceeds were used to pay off the previous bonds issued in 2003 and to pay for repairs and upgrades to the system. The interest rate on the revenue bonds is 2.55% with an outstanding principal balance in of \$3,130,000 as of June 30, 2020.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Debt service requirements to maturity of the revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 76,628	\$ 250,000	\$ 326,628
2022	70,189	255,000	325,189
2023	63,559	265,000	328,559
2024	56,738	270,000	326,738
2025	49,789	275,000	324,789
2026-2030	138,019	1,495,000	1,633,019
2031-2035	4,080	320,000	324,080
	<u>\$ 459,002</u>	<u>\$ 3,375,000</u>	<u>\$ 3,589,002</u>

Notes Payable

Governmental activities:

For the year ended June 30, 2020 the Town was a part of an agreement to purchase vehicles. The note for the purchase of vehicles calls for monthly payments of \$897 with a term is four years and interest rate of 3.50%. The outstanding balance of this note was \$24,069 as of June 30, 2020 and the note matures in November of 2022.

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 681	\$ 10,077	\$ 10,758
2022	323	10,435	10,758
2023	26	3,557	3,583
	<u>\$ 1,030</u>	<u>\$ 46,886</u>	<u>\$ 25,099</u>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

	Balances as of July 1, 2019	Increases	Decreases	Balances as of June 30, 2020	Due within One Year
Governmental activities:					
Capital lease	\$ 29,525	\$ -	\$ (6,707)	\$ 22,818	\$ 5,246
Note payable	46,887	-	(22,818)	24,069	10,758
Compensated absences	6,553	12,164	(6,553)	6,007	6,007
Accrued interest	1,848	1,848	(1,848)	1,215	1,215
Total governmental activities	<u>\$ 84,660</u>	<u>\$ 14,012</u>	<u>\$ (37,926)</u>	<u>\$ 54,109</u>	<u>\$ 23,226</u>
Business-type activities:					
Revenue bonds	\$ 3,375,000	\$ -	\$ (245,000)	\$ 3,130,000	\$ 250,000
Capital lease	23,835	-	(9,936)	13,899	10,352
Compensated absences	12,164	16,403	(12,164)	16,403	16,403
Total business-type activities	<u>\$ 3,657,569</u>	<u>\$ 16,403</u>	<u>\$ (267,100)</u>	<u>\$ 3,160,302</u>	<u>\$ 276,755</u>
Total activities	<u>\$ 3,742,229</u>	<u>\$ 30,415</u>	<u>\$ (305,026)</u>	<u>\$ 3,214,411</u>	<u>\$ 299,981</u>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan

South Carolina Retirement System

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

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

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

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

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

Effective July 1, 2019, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 15.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41% and 0.15% contribution rate for the incidental death program. The Town's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended	Incidental			Incidental		
June 30,	Base	Death	Total	Base	Death	Total
2020	15.41%	0.15%	15.56%	\$ 73,100	\$ 712	\$ 73,812
2019	14.26%	0.15%	14.41%	59,652	622	60,274
2018	13.41%	0.15%	13.56%	54,023	604	54,627

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

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

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

Effective July 1, 2019, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 18.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended	Incidental			Incidental		
June 30,	Base	Death	Total	Base	Death	Total
2020	17.84%	0.40%	18.24%	\$ 67,269	\$ 1,508	\$ 68,777
2019	16.84%	0.40%	17.24%	70,680	1,678	72,358
2018	15.84%	0.40%	16.24%	59,438	1,501	60,939

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

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

At June 30, 2020, the Town reported \$895,147 and \$829,303 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2019 actuarial valuations, using most recent membership data, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Town's SCRS proportion was 0.0039% and its PORS proportion was 0.029%.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

At June 30, 2020 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	SCRS	PORS
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 615	\$ 17,052
Assumption changes	18,039	32,886
Net difference between project and actual investment earnings	28,059	33,870
Differences between employer contributions and proportionate share	17,343	47,576
Contributions made from measurement date to June 30, 2019	73,812	68,777
Total deferred outflows of resources	<u>137,868</u>	<u>200,161</u>
 Deferred Inflows of Resources		
Differences between expected and actual experience	6,431	6,129
Net difference between project and actual investment earnings	20,134	23,355
Differences between employer contributions and proportionate share	107,267	25,235
Total deferred inflows of resources	<u>133,832</u>	<u>54,719</u>
 Net deferred outflows/(inflows)	<u><u>\$ 4,036</u></u>	<u><u>\$ 145,442</u></u>

Deferred outflows of \$73,812 and \$68,777 for SCRS and PORS, respectively, reported as resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Net
2021	\$ (14,149)	\$ 47,460	\$ 33,311
2022	(56,923)	10,892	(46,031)
2023	(1,789)	12,537	10,748
2024	3,085	5,776	8,861
	<u><u>\$ (69,776)</u></u>	<u><u>\$ 76,665</u></u>	<u><u>\$ 6,889</u></u>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The total pension liabilities in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumption used in the determination of the June 30, 2019, SCRS and PORS valuations are as follows:

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

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table 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.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.00%		
Global Public Equity	35.00%	7.29%	2.55%
Private Equity	9.00%	7.67%	0.69%
Equity Options Strategies	7.00%	5.23%	0.37%
Real Assets	12.00%		
Real Estate (Private)	8.00%	5.59%	0.45%
Real Estate (REITs)	1.00%	8.16%	0.08%
Infrastructure (Private)	2.00%	5.03%	0.10%
Infrastructure (Public)	1.00%	6.12%	0.06%
Opportunistic	8.00%		
Global Tactical Asset Allocation	7.00%	3.09%	0.22%
Other Opportunistic Strategies	1.00%	3.82%	0.04%
Credit	15.00%		
High Yield Bonds/ Bank Loans	4.00%	3.14%	0.13%
Emerging Markets Debt	4.00%	3.31%	0.13%
Private Debt	7.00%	5.49%	0.38%
Rate Sensitive	14.00%		
Core Fixed Income	13.00%	1.62%	0.21%
Cash and Short Duration (Net)	1.00%	0.31%	0.00%
Total Expected Return	100.00%		5.41%
Inflation for Actuarial Purposes			2.25%
			7.66%

The discount rate used to measure the total pension liability (TPL) was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 1,127,698	\$ 895,147	\$ 701,070
PORS	1,123,903	829,303	587,952
	<u>\$ 2,251,601</u>	<u>\$ 1,724,450</u>	<u>\$ 1,289,022</u>

Deferred Compensation Plans

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

10. Operating Leases

The Town entered into multiple noncancelable operating agreements on March 9, 2018 for digital copiers. The future minimum lease payments for these leases could not be determined due to the lease payments being determined by the number of copies created by the Town. The total lease expense for the year ended June 30, 2020 was \$8,971.

11. Risk Management

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

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

11. Risk Management (continued)

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

12. Commitments and Contingencies

The Town is currently operating its water and sewer system under a consent order from the South Carolina Department of Health and Environmental Control. This consent order found significant deficiencies in the Town's systems and requires certain repairs and upgrades to be made. In order to fund these repairs and upgrades, the Town has acquired a revenue bond and will continue to seek grants.

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

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

13. The Town's Financial Condition

The Town recognized a decrease in net position of \$366,730 in its Governmental Activities before transfers from Business-Type Activities. The Town has experienced similar losses in prior years as well. The primary source of these losses is from the Police Department. Police Department expenditures made up 65.46% of total Governmental Activities expenditures in the current fiscal year and made up similar percentages in prior years as well. Revenue produced from the Police Department only made up 4.00% of total Governmental Activities revenue in the current fiscal year and made up similar percentages in prior years as well. This resulted in a \$1,045,840 loss in net position from Police Department operations during the current year.

The Business-Type Activities had an increase in net position of \$353,880 after transfers to Governmental Activities. Business-Type Activities cannot continue to support the Town's Governmental Activities. In order to improve the Town's current financial condition, the Town needs to find ways to reduce Police Department spending, eliminate services, or increase unrestricted revenue.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

13. The Town's Financial Condition (continued)

Town management is aware of this financial situation and is in the process of continuing the following measures in an effort to continue to correct these financial difficulties:

- Business-Type Activities:
 - Refinance debt through United States Department of Agriculture
 - Further restrict procurement processes by obtaining approval for expenses over \$50
 - Implement an electronic water usage reading system to increase efficiency, which could possibly lead to a reduction in workforce
 - Apply for more grants from Rural Infrastructure Authority and other organizations
- Governmental Activities:
 - Review/increase business license fees.
 - Further restrict Police Department procurement processes by obtaining approval for expenses over \$50
 - Review staffing needs in the Police Department and implement further reductions in workforce.
 - Apply for more grants to further reduce expenditures

Management is currently in the process of continuing to implement the steps mentioned above and considering other strategies as well. In the event the Town is not able to correct the underlying issues causing the deficits, other measures may need to be considered, including:

- Contracting with Hampton County to provide police services.
- Budget freezes/further staff reductions.
- Further reduction in services offered and expense reductions.

14. Subsequent events

The Town received CDBG grant for Phase Two water improvements for \$750,000 in September of 2020.

Subsequent events were evaluated through October 7, 2020 which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF ESTILL, SOUTH CAROLINA

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

LAST TEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
South Carolina Retirement System							
Town's proportion of the net pension liability	0.0039%	0.0039%	0.0049%	0.0047%	0.0042%	0.0046%	0.0046%
Town's proportionate share of the net pension liability	\$ 895,147	\$ 871,074	\$ 1,106,446	\$ 1,009,467	\$ 803,379	\$ 783,359	\$ 816,108
Town's covered payroll	\$ 418,279	\$ 402,854	\$ 492,699	\$ 451,429	\$ 397,131	\$ 400,802	\$ 949,600
Town's proportionate share of the net pension liability as a percentage of its covered payroll	214.01%	216.23%	224.57%	223.62%	202.30%	195.45%	85.94%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.30%	52.91%	56.99%	59.92%	56.39%
South Carolina Police Officers Retirement System							
Town's proportion of the net pension liability	0.0290%	0.0271%	0.0278%	0.0299%	0.0258%	0.0206%	0.0206%
Town's proportionate share of the net pension liability	\$ 829,303	\$ 768,168	\$ 761,324	\$ 760,688	\$ 561,220	\$ 394,717	\$ 427,405
Town's covered payroll	\$ 419,710	\$ 375,240	\$ 379,530	\$ 376,625	\$ 325,087	\$ 247,991	\$ 434,286
Town's proportionate share of the net pension liability as a percentage of its covered payroll	197.59%	204.71%	200.60%	201.97%	172.64%	159.17%	98.42%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.90%	60.40%	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Commission implemented GASB 68 during fiscal year 2015. As such, only fiscal years after 2014 have information available.

TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
South Carolina Retirement System							
Contractually required contributions	\$ 73,812	\$ 60,274	\$ 54,627	\$ 56,956	\$ 49,928	\$ 43,287	\$ 43,789
Contributions in relation to the contractually required contribution	(73,812)	(60,274)	(54,627)	(56,956)	(49,928)	(43,287)	(43,789)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 474,370	\$ 418,279	\$ 402,854	\$ 492,699	\$ 451,429	\$ 397,131	\$ 400,802
Contributions as a percentage of covered payroll	15.56%	14.41%	13.56%	11.56%	11.06%	10.90%	10.93%
South Carolina Police Officers Retirement System							
Contractually required contributions	\$ 68,777	\$ 72,358	\$ 60,939	\$ 53,286	\$ 50,995	\$ 42,944	\$ 31,842
Contributions in relation to the contractually required contribution	(68,777)	(72,358)	(60,939)	(53,286)	(50,995)	(42,944)	(31,842)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 377,067	\$ 419,710	\$ 375,240	\$ 379,530	\$ 376,625	\$ 325,087	\$ 247,991
Contributions as a percentage of covered payroll	18.24%	17.24%	16.24%	14.04%	13.54%	13.21%	12.84%

* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only fiscal years after 2014 have information available.

OTHER FINANCIAL INFORMATION

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TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
PROPRIETARY FUNDS NET POSITION - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2020

Account Description	Budget	Actual	Variance Positive / (Negative)
Operating revenue	\$ 1,975,019	\$ 1,947,829	\$ (27,190)
Operating expenses:			
Salaries and employee benefits	549,358	446,275	103,083
Electricity and utilities	167,840	109,765	58,075
Materials and supplies	140,880	127,915	12,965
Chemicals and laboratory analysis	19,000	15,976	3,024
Depreciation and amortization	-	498,244	(498,244)
Insurance	80,815	65,235	15,580
Gas, oil, tires and repairs	27,000	14,688	12,312
Contracted services	181,536	163,326	18,210
Training, lodging	1,500	424	1,076
Telephone	11,000	9,586	1,414
Office supplies	1,353	1,139	214
DHEC permits	14,741	13,741	1,000
Repairs and maintenance, engineering, and capital equipment	271,815	196,966	74,849
Miscellaneous	436,747	59,624	377,123
Total operating expenses	1,903,585	1,722,904	180,681
Operating income (loss)	71,434	224,925	153,491
Nonoperating revenue (expense)			
Interest income	85	109	24
Grant income	430,178	368,855	(61,323)
Gain on sale of assets	3,963	3,963	-
Debt service	(351,561)	(82,171)	269,390
Total non-operating revenue (expense)	82,665	290,756	208,091
Net income (loss) before transfers	154,099	515,681	361,582
Transfers in (out)	-	(161,801)	(161,801)
Change in net position	\$ 154,099	\$ 353,880	\$ 199,781

See independent auditors' report on other financial information

TOWN OF ESTILL, SOUTH CAROLINA
SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2020

Total Court Fines and Assessments:	
Court fines and assessments collected	\$ 47,295
Court fines and assessments remitted to State Treasurer	(21,454)
Total Court fines and assessments retained	<u>\$ 25,841</u>
 Surcharges and Assessments retained for Victim's Services	
Surcharges collected and retained	\$ 758
Assessments retained	2,680
Total surcharges and assessments retained for victims services	<u>\$ 3,438</u>
 Victim Services Collected	
Carryforward from previous year - beginning balance	\$ 16,378
Victim Service Revenue	
Victim service fines retained by the Town	-
Victim service assessments retained by the Town	2,680
Victim service surcharges retained by the Town	758
General funds transferred to victim service fund	10,128
Total funds allocated to victim service fund + beginning balance (A)	<u>29,944</u>
Expenditures for Victim Service Program	
Operating expenditures	\$ 5,451
General funds transferred from victim service fund	200
Total expenditures from victim service fund/program (B)	<u>5,651</u>
Total victim service funds retained by the Town (A-B)	<u>24,293</u>
Carryforward funds - end of year	<u>\$ 24,293</u>

See independent auditors' report on other financial information