

TOWN OF ESTILL, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2022

WITH  
INDEPENDENT AUDITORS' REPORT



TOWN OF ESTILL, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2022

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# THE BRITTINGHAM GROUP, L.L.P.

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## INDEPENDENT AUDITORS' REPORT

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

### Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements. These financial statements collectively comprise the Town's basic financial statements as listed in the table of contents.

### 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

### Qualified Opinion on the Opinion on the Governmental Activities

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town, as of June 30, 2022, 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 on the Business-type Activities and Each Major Fund

In our opinion, the business-type activities and each major fund, of the Town, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified of Opinion and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

### **Matter Giving Rise to Qualified Opinion on the 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.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 10, the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 39, and the Schedule of South Carolina Retirement Systems Contributions on page 40, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### **Supplementary 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 Court Fines, Fees, Assessments, and Surcharges is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Fees, Assessments, and Surcharges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

it in our report.

*The Brittingham Group LLP*

West Columbia, South Carolina

October 28, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mayor and Council 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, 2022.

### 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 \$8,911,195 (net position). The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$3,579,169 and combined expenses totaled \$3,287,639. Accordingly, combined revenues exceeded expenses by \$291,530.

At the end of fiscal year 2022, the governmental funds restricted fund balance was \$53,718, the assigned fund balance was \$56,262 and the unassigned fund balance was \$1,016,244. Accordingly, \$1,016,244 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$1,039,977 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 \$191,428.

At the end of fiscal year 2022, the Town of Estill Business Type Activity reported unrestricted cash and cash equivalents of \$304,618 and restricted cash and cash equivalents of \$618,112.

### 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 12 - 13 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 all funds. 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 14 - 18 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 19 - 21 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 22 - 41 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 2022 financial statements are the 18<sup>th</sup> consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2022, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Estill assets exceeded liabilities by \$8,911,195 at the close of fiscal year 2022. Net position is reported in three categories:

Net investment in capital assets	\$ 8,272,716
Restricted	665,304
Unrestricted	(26,825)
	<u>\$ 8,911,195</u>

The largest portion of the Town's net position reflects 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 30, 2022 and 2021:

### Town of Estill's Condensed Statement of Net Position - June 2022

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,616,672	\$ 1,293,213	\$ 2,909,885
Capital assets	1,361,790	9,768,635	11,130,425
<b>Total assets</b>	<b>2,978,462</b>	<b>11,061,848</b>	<b>14,040,310</b>
Deferred pension outflows	192,641	207,149	399,790
<b>Total assets and deferred outflows</b>	<b>3,171,103</b>	<b>11,268,997</b>	<b>14,440,100</b>
Long-term liabilities outstanding	232,709	2,638,620	2,871,329
Other liabilities	1,248,009	955,766	2,203,775
<b>Total liabilities</b>	<b>1,480,718</b>	<b>3,594,386</b>	<b>5,075,104</b>
Deferred pension inflows	338,623	115,178	453,801
<b>Total liabilities and deferred inflows</b>	<b>1,819,341</b>	<b>3,709,564</b>	<b>5,528,905</b>
Net position:			
Net investment in capital assets	1,129,081	7,143,635	8,272,716
Restricted - expendable	47,192	618,112	665,304
Unrestricted	175,489	(202,314)	(26,825)
<b>Total net position</b>	<b>\$ 1,351,762</b>	<b>\$ 7,559,433</b>	<b>\$ 8,911,195</b>

### Town of Estill's Condensed Statement of Net Position - June 2021

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,194,023	\$ 1,316,289	\$ 2,510,312
Capital assets	1,216,435	10,171,787	11,388,222
<b>Total assets</b>	<b>2,410,458</b>	<b>11,488,076</b>	<b>13,898,534</b>
Deferred pension outflows	243,893	196,254	440,147
<b>Total assets and deferred outflows</b>	<b>2,654,351</b>	<b>11,684,330</b>	<b>14,338,681</b>
Long-term liabilities outstanding	1,082,412	3,807,457	4,889,869
Other liabilities	205,899	462,429	668,328
<b>Total liabilities</b>	<b>1,288,311</b>	<b>4,269,886</b>	<b>5,558,197</b>
Deferred pension inflows	114,380	46,439	160,819
<b>Total liabilities and deferred inflows</b>	<b>1,402,691</b>	<b>4,316,325</b>	<b>5,719,016</b>
Net position:			
Net investment in capital assets	1,176,844	7,288,240	8,465,084
Restricted - expendable	161,047	545,692	706,739
Unrestricted	(86,231)	(465,927)	(552,158)
<b>Total net position</b>	<b>\$ 1,251,660</b>	<b>\$ 7,368,005</b>	<b>\$ 8,619,665</b>

The following tables are summaries of revenues and expenses for fiscal years 2022 and 2021:

### Town of Estill's Statement of Activities - June 2022

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 42,991	\$ 1,461,977	\$ 1,504,968
Capital grants and contributions	2,000	55,960	57,960
General revenues	1,597,800	418,441	2,016,241
Total revenue	<u>1,642,791</u>	<u>1,936,378</u>	<u>3,579,169</u>
Expenses:			
Administration	355,381	-	355,381
Public Works	182,505	-	182,505
Police	883,918	-	883,918
Fire	94,948	-	94,948
Interest on long-term debt	6,290	-	6,290
Combined water and sewer expenses	-	1,653,073	1,653,073
Refuse Fund	-	111,524	111,524
Total expenses	<u>1,523,042</u>	<u>1,764,597</u>	<u>3,287,639</u>
Increase (decrease) in net position before transfers	119,749	171,781	291,530
Transfers	(19,647)	19,647	-
Increase (decrease) in net position	<u>\$ 100,102</u>	<u>\$ 191,428</u>	<u>\$ 291,530</u>

### Town of Estill's Statement of Activities - June 2021

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 61,707	\$ 1,456,470	\$ 1,518,177
Capital grants and contributions	21,786	52,000	73,786
General revenues	1,369,723	368	1,370,091
Total revenue	<u>1,453,216</u>	<u>1,508,838</u>	<u>2,962,054</u>
Expenses:			
Administration	395,858	-	395,858
Public Works	26,603	-	26,603
Police	937,572	-	937,572
Fire	56,159	-	56,159
Interest on long-term debt	1,674	-	1,674
Combined water and sewer expenses	-	1,825,239	1,825,239
Refuse Fund	-	94,582	94,582
Total expenses	<u>1,417,866</u>	<u>1,919,821</u>	<u>3,337,687</u>
Increase (decrease) in net position before transfers	35,350	(410,983)	(375,633)
Transfers	109,483	(109,483)	-
Increase (decrease) in net position	<u>\$ 144,833</u>	<u>\$ (520,466)</u>	<u>\$ (375,633)</u>

**Governmental activities.** Governmental activities net position increased \$119,749 before transfers, during the fiscal year. After transfers of \$19,647 to Business-type activities, Governmental activities resulted in a \$100,102 increase in net position. Governmental activities revenues showed an increase when compared to fiscal year 2021 due to increased general revenues and charges for services. General revenues have increased as a result of tax collections. Charges for services decreased as there were less court fines collected during the year. The Town incurred \$105,176 more in expenditures mostly due to increased public work and fire department purchases made when compared to the prior fiscal year. Police expenditures were \$53,654 less than the prior year, and there were less officers on staff.

**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 \$1,936,378 exceeded total expenses in the amount of \$1,764,597 for an operational decrease in net position of \$171,781. \$19,647 was transferred from Governmental Activities to reconcile expenses paid for by the O&M fund for general fund expenses. After transfers, Business-type activities incurred a \$191,428 increase in net position.

## 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 2022, the Town's Governmental Funds reported a combined ending fund balance of \$1,126,224. The Town's General Fund reported an ending balance of \$1,039,977. The General Fund represents 92% 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, \$7,143,635 or 94% 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 \$14,162 not including transfers. The increase in net position net of transfers was \$11,907. This increase was due to increased service revenues when compared to the prior year.

## GENERAL FUND HIGHLIGHTS

Selected variances between fiscal years 2022 and 2021 General Fund actual revenues were as follows:

• \$31,312	Licenses, permits, and franchise fees	17.34% increase
• (\$107,802)	Grant Revenue	58.09% decrease

Licenses, permits, and franchise fees increase during the year due to rate increases. Additionally grant revenue decreased as the Town did not receive as much federal funds for dilapidated buildings as in prior year.

## PROPRIETARY FUNDS HIGHLIGHTS

Selected variances between fiscal years 2022 and 2021 Proprietary Fund actual revenues were as follows:

• \$ 18,646	Penalty fees	58.04% increase
• \$ 24,986	Water and sewer service sales	1.84% increase

The increase is due to an increase in water and sewer rates, and the enforcement of late fees.

**Capital Asset Administration.** Governmental Activities had a total of \$241,130 in asset additions during fiscal year 2022. These asset additions were composed of equipment additions of \$3,085 and vehicle additions of \$238,045. Depreciation expense for Governmental Activities was \$95,776.

Business-Type Activities had a total of \$99,311 in asset additions during fiscal year 2022. These asset additions were composed of equipment additions of \$6,136 and construction in progress additions of \$93,175. Depreciation expense for Business-Type Activities was \$502,463.

The charts below detail the net effect of all transactions noted above to capital assets between fiscal year 2022 and 2021:

### Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2022

	Governmental Activities	Business-Type Activities	Total
Land	\$ 389,968	\$ 453,375	\$ 843,343
Construction in process	225,000	100,175	325,175
Land improvements	193,822	-	193,822
Buildings	1,562,652	-	1,562,652
Equipment	362,675	455,522	818,197
Vehicles	966,752	137,117	1,103,869
Utility plant	-	17,850,230	17,850,230
Accumulated depreciation	(2,339,079)	(9,227,784)	(11,566,863)
	<u>\$ 1,361,790</u>	<u>\$ 9,768,635</u>	<u>\$ 11,130,425</u>

## Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2021

	Governmental Activities	Business-Type Activities	Total
Land	\$ 389,968	\$ 453,375	\$ 843,343
Construction in process	225,000	7,000	232,000
Land improvements	193,822	-	193,822
Buildings	1,562,652	-	1,562,652
Equipment	359,590	449,386	808,976
Vehicles	728,707	137,117	865,824
Utility plant	-	17,850,230	17,850,230
Accumulated depreciation	(2,243,304)	(8,725,321)	(10,968,625)
	<u>\$ 1,216,435</u>	<u>\$ 10,171,787</u>	<u>\$ 11,388,222</u>

**Debt Administration.** At the end of fiscal year 2022, the Town of Estill had total debt outstanding (bonds, notes, and capital leases) of \$2,872,198. All the Town's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). \$25,045 represents the amount owed for compensated absences and accrued interest.

	Governmental Activities	Business-Type Activities	Total
Compensated absences	\$ 10,557	\$ 13,620	\$ 24,177
Capital leases	218,596	-	218,596
Notes payable	3,557	-	3,557
Revenue bonds	-	2,625,000	2,625,000
Accrued interest	868	-	868
	<u>\$ 233,578</u>	<u>\$ 2,638,620</u>	<u>\$ 2,872,198</u>

### 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.



## TOWN OF ESTILL, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 1,375,397	\$ 304,618	\$ 1,680,015
Cash and cash equivalents - restricted	47,192	618,112	665,304
Receivables, net of allowance:			
Accounts, net	-	370,483	370,483
State revenue	167,115	-	167,115
Grant revenue	20,442	-	20,442
Prepaid assets	6,526	-	6,526
Capital assets:			
Non-depreciable	614,968	553,550	1,168,518
Depreciable, net of accumulated depreciation	746,822	9,215,085	9,961,907
Total assets	2,978,462	11,061,848	14,040,310
<b>Deferred outflows of resources</b>			
Deferred pension outflows	192,641	207,149	399,790
Total assets and deferred outflows of resources	3,171,103	11,268,997	14,440,100
<b>Liabilities</b>			
Accounts payable	67,597	51,034	118,631
Other accrued liabilities	20,413	44,945	65,358
Internal balances	5,698	(5,698)	-
Customer deposits	-	100,678	100,678
Deferred revenue	396,740	-	396,740
Pension liabilities	756,692	764,807	1,521,499
Long-term liabilities:			
Due within one year	21,509	282,167	303,676
Due in more than one year	212,069	2,356,453	2,568,522
Total liabilities	1,480,718	3,594,386	5,075,104
<b>Deferred inflows of resources</b>			
Deferred pension inflows	338,623	115,178	453,801
Total liabilities and deferred inflows of resources	1,819,341	3,709,564	5,528,905
<b>Net position</b>			
Net investment in capital assets	1,128,212	7,143,635	8,271,847
Restricted net position - spendable	47,192	618,112	665,304
Unrestricted	176,358	(202,314)	(25,956)
Total net position	\$ 1,351,762	\$ 7,559,433	\$ 8,911,195

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities						
Administration	\$ 355,381	\$ -	\$ -	(355,381)	\$ -	\$ (355,381)
Public Works department	182,505	-	-	(182,505)	-	(182,505)
Police department	883,918	42,991	2,000	(838,927)	-	(838,927)
Fire department	94,948	-	-	(94,948)	-	(94,948)
Interest on long-term debt	6,290	-	-	(6,290)	-	(6,290)
Total governmental activities	1,523,042	42,991	2,000	(1,478,051)	-	(1,478,051)
Business-type activities						
Water and sewer	1,653,073	1,338,574	55,960	-	(258,539)	(258,539)
Refuse	111,524	123,403	-	-	11,879	11,879
Total business-type activities	1,764,597	1,461,977	55,960	-	(246,660)	(246,660)
Total Primary Government	\$ 3,287,639	\$ 1,504,968	\$ 57,960	(1,478,051)	(246,660)	(1,724,711)
General revenues and transfers:						
General revenues:						
Property and vehicle				560,143	-	560,143
Licenses, permits and franchise fees				211,893	-	211,893
State shared revenues				351,814	-	351,814
Other shared revenues				177,605	-	177,605
Forgiveness of debt				-	416,000	416,000
Unrestricted grants				246,065	-	246,065
Unrestricted investment earnings				143	186	329
Gain on sale of fixed assets				-	2,255	2,255
Miscellaneous				50,137	-	50,137
Transfers in/(out) to local government				(19,647)	19,647	-
Total general revenues and transfers				1,578,153	438,088	2,016,241
Change in net position				100,102	191,428	291,530
Net position, at beginning of year				1,251,660	7,368,005	8,619,665
Net position, end of year				\$ 1,351,762	\$ 7,559,433	\$ 8,911,195

See accompanying notes.

# TOWN OF ESTILL, SOUTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2022

	General	Firemen's Fund	Hospitality Tax	ARPA Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents - unrestricted	\$ 1,017,233	\$ 18,894	\$ 42,368	\$ 296,902	\$ 1,375,397
State revenue, receivable	167,115	-	-	-	167,115
Grants receivable	20,442	-	-	-	20,442
Prepaid expenses	6,526	-	-	-	6,526
Cash and cash equivalents - restricted	17,207	29,985	-	-	47,192
<b>Total assets</b>	<b>1,228,523</b>	<b>48,879</b>	<b>42,368</b>	<b>296,902</b>	<b>1,616,672</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	67,597	-	-	-	67,597
Other accrued liabilities	20,413	-	-	-	20,413
Internal balances	698	-	-	5,000	5,698
Deferred revenue	99,838	5,000	-	291,902	396,740
<b>Total liabilities</b>	<b>188,546</b>	<b>5,000</b>	<b>-</b>	<b>296,902</b>	<b>490,448</b>
<b>Fund balances</b>					
Restricted	23,733	29,985	-	-	53,718
Assigned	-	13,894	42,368	-	56,262
Unassigned	1,016,244	-	-	-	1,016,244
<b>Total fund balances</b>	<b>1,039,977</b>	<b>43,879</b>	<b>42,368</b>	<b>-</b>	<b>1,126,224</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,228,523</b>	<b>\$ 48,879</b>	<b>\$ 42,368</b>	<b>\$ 296,902</b>	<b>\$ 1,616,672</b>

### Reconciliation to the statement of net position

Total fund balances - governmental funds \$ 1,126,224

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	\$ 3,700,869	
Accumulated depreciation	(2,339,079)	
		1,361,790

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	192,641
Deferred pension inflows	(338,623)
Net pension liabilities	(756,692)
Accrued interest payable	(869)
Compensated absences payable	(10,557)
Capital leases	(218,595)
Notes payable	(3,557)

Net position of governmental activities	<u>\$ 1,351,762</u>
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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, 2022

	General	Firemen's Fund	Hospitality Tax	ARPA Funds	Total Governmental Funds
<b>Revenues</b>					
Property, vehicle, and hospitality taxes	\$ 524,630	\$ -	\$ 35,513	\$ -	\$ 560,143
Licenses, permits, and franchise fees	211,893	-	-	-	211,893
Court fines	42,991	-	-	-	42,991
State shared revenues	351,814	-	-	-	351,814
Other shared revenues	177,605	-	-	-	177,605
Grant revenue	77,719	-	-	170,346	248,065
Miscellaneous income	42,537	7,742	-	-	50,279
<b>Total revenues</b>	<b>1,429,189</b>	<b>7,742</b>	<b>35,513</b>	<b>170,346</b>	<b>1,642,790</b>
<b>Expenditures</b>					
Administration	338,422	-	1,068	-	339,490
Public Works	138,080	-	-	-	138,080
Police	1,128,356	-	-	-	1,128,356
Fire	74,810	13,859	-	-	88,669
Debt service	52,283	-	-	-	52,283
<b>Total expenditures</b>	<b>1,731,951</b>	<b>13,859</b>	<b>1,068</b>	<b>-</b>	<b>1,746,878</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(302,762)</b>	<b>(6,117)</b>	<b>34,445</b>	<b>170,346</b>	<b>(104,088)</b>
<b>Other Financing Sources (uses)</b>					
Debt issuance proceeds	236,523	-	-	-	236,523
Transfers in/(out)	150,699	-	-	(170,346)	(19,647)
<b>Total other financing sources</b>	<b>387,222</b>	<b>-</b>	<b>-</b>	<b>(170,346)</b>	<b>216,876</b>
<b>Net change in fund balance</b>	<b>84,460</b>	<b>(6,117)</b>	<b>34,445</b>	<b>-</b>	<b>112,788</b>
<b>Fund balance, beginning of year</b>	<b>955,517</b>	<b>49,996</b>	<b>7,923</b>	<b>-</b>	<b>1,013,436</b>
<b>Fund balance, end of year</b>	<b>\$ 1,039,977</b>	<b>\$ 43,879</b>	<b>\$ 42,368</b>	<b>\$ -</b>	<b>\$ 1,126,224</b>

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, 2022

Net change in fund balance - total governmental funds		\$ 112,788
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	\$ (95,776)	
Additions	241,130	
Net change in capital assets		145,354
Other financing resources are income on fund statements but are recorded as liabilities on the statement of activities		(235,978)
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.		35,947
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.		45,389
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.		59
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.		(3,457)
Change in net position of governmental activities		<u>\$ 100,102</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, 2022

	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Revenue				
Property and vehicle taxes	\$ 510,603	\$ 510,603	\$ 524,630	\$ 14,027
Licenses, permits, and franchise fees	235,459	235,459	211,893	(23,566)
State shared revenue	291,796	291,796	351,814	60,018
Municipal Association of South Carolina	176,000	176,000	177,605	1,605
Court fines	65,300	65,300	42,941	(22,359)
Grants	751,836	751,836	77,773	(674,063)
Miscellaneous income	21,375	21,375	42,587	21,212
Total revenue	<u>2,052,369</u>	<u>2,052,369</u>	<u>1,429,243</u>	<u>(623,126)</u>
Expenditures				
Salaries, taxes and benefits	791,281	791,281	766,265	25,016
Contract labor	12,380	12,380	17,603	(5,223)
Utilities	67,788	67,788	90,861	(23,073)
Materials and supplies	18,800	18,800	52,111	(33,311)
Insurance	58,251	58,251	61,919	(3,668)
Gas, oil and tires	34,500	34,500	60,568	(26,068)
Administrative fees	18,000	18,000	-	18,000
Legal and audit	40,000	40,000	46,433	(6,433)
Bookkeeping services	9,216	9,216	9,216	-
Other professional fees	11,400	11,400	8,953	2,447
Training and workshops	15,000	15,000	4,049	10,951
Court expenses	36,100	36,100	25,085	11,015
Victims Advocate	3,300	3,300	5,988	(2,688)
Dispatching	32,910	32,910	32,965	(55)
Telephone	40,980	40,980	40,487	493
Travel and lodging	25,459	25,459	19,795	5,664
Office supplies	4,148	4,148	3,174	974
Dues and subscriptions	16,286	16,286	15,770	516
Advertising	2,000	2,000	1,728	272
Bank charges	459	459	431	28
Capital improvements	115,208	115,208	264,385	(149,177)
Dog pound	5,000	5,000	5,000	-
Economic development	561,895	561,895	68,770	493,125
Pest control	2,500	2,500	1,856	644
Repairs and maintenance	82,860	82,860	64,015	18,845
Christmas decorations	1,200	1,200	-	1,200
Postage	3,300	3,300	2,852	448
Equipment rental	1,200	1,200	-	1,200
Debt service	23,804	23,804	58,955	(35,151)
Miscellaneous	10,144	10,144	2,717	7,427
Total expenditures	<u>2,045,369</u>	<u>2,045,369</u>	<u>1,731,951</u>	<u>313,418</u>
Excess (deficit) of revenue over (under) expenditures	7,000	7,000	(302,708)	(309,708)
Other financing resources	-	-	236,523	236,523
Transfers in	-	-	150,699	150,699
Change in fund balance	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 84,514</u>	<u>\$ 77,514</u>

See accompanying notes.

TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	Water and Sewer	Refuse	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 197,795	\$ 106,823	\$ 304,618
Restricted cash	618,112	-	618,112
Accounts receivable, net	338,044	32,439	370,483
Due from General Fund	698	-	698
Due from ARPA Fund	5,000	-	5,000
Due from Refuse Fund	-	6,590	6,590
Non-current assets			
Property, plant and equipment, net	9,768,635	-	9,768,635
<b>Total assets</b>	<u>10,928,284</u>	<u>145,852</u>	<u>11,074,136</u>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	207,149	-	207,149
<b>Total assets and deferred outflows of resources</b>	<u>11,135,433</u>	<u>145,852</u>	<u>11,281,285</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	43,500	7,534	51,034
Other accrued liabilities	44,945	-	44,945
Due to Refuse Fund	6,590	-	6,590
Customer deposits	100,678	-	100,678
Compensated absences payable	13,620	-	13,620
Revenue bonds payable	265,000	-	265,000
Non-current liabilities			
Net pension liabilities	764,807	-	764,807
Revenue bonds payable	2,360,000	-	2,360,000
<b>Total liabilities</b>	<u>3,599,140</u>	<u>7,534</u>	<u>3,606,674</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	115,178	-	115,178
<b>Total liabilities and deferred inflows of resources</b>	<u>3,714,318</u>	<u>7,534</u>	<u>3,721,852</u>
<b>Net position</b>			
Net investment in capital assets	7,143,635	-	7,143,635
Restricted net position - spendable	618,112	-	618,112
Unrestricted - unfunded pension obligation	672,836	-	672,836
Unrestricted - other	(1,013,468)	138,318	(875,150)
<b>Total net position</b>	<u>\$ 7,421,115</u>	<u>\$ 138,318</u>	<u>\$ 7,559,433</u>

*See accompanying notes.*

# TOWN OF ESTILL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2022

	Water and Sewer	Refuse	Total
Operating revenue			
Water, Sewer, and Refuse service sales	\$ 1,262,516	\$ 123,403	\$ 1,385,919
Penalty fees	50,774	-	50,774
Reconnection fees	1,159	-	1,159
Other income	24,125	-	24,125
Total operating revenue	<u>1,338,574</u>	<u>123,403</u>	<u>1,461,977</u>
Operating expenses			
Salaries and employee benefits	417,136	12,097	429,233
Electricity and utilities	72,178	-	72,178
Materials and supplies	38,339	88,686	127,025
Chemicals and laboratory analysis	20,965	-	20,965
Depreciation	502,463	-	502,463
Insurance	81,536	679	82,215
Gas, oil, tires and repairs	13,537	-	13,537
Contracted services	135,562	6,208	141,770
Training, lodging	225	-	225
Telephone	13,112	-	13,112
Office supplies	2,064	-	2,064
DHEC permits	46,993	-	46,993
Repairs and maintenance, engineering and capital equipment	231,142	3,854	234,996
Miscellaneous	8,438	-	8,438
Total operating expenses	<u>1,583,690</u>	<u>111,524</u>	<u>1,695,214</u>
Operating income (loss)	(245,116)	11,879	(233,237)
Nonoperating revenue (expenses)			
Interest income	158	28	186
Forgiveness of debt	416,000	-	416,000
Capital grant	55,960	-	55,960
Gain from sale of assets	-	2,255	2,255
Debt service (interest expense)	(69,383)	-	(69,383)
Total nonoperating revenue (expense)	<u>402,735</u>	<u>2,283</u>	<u>405,018</u>
Income before transfers	157,619	14,162	171,781
Net transfers in (out)	21,902	(2,255)	19,647
Change in net position	179,521	11,907	191,428
Total net position, beginning	<u>7,241,594</u>	<u>126,411</u>	<u>7,368,005</u>
Total net position, ending	<u>\$ 7,421,115</u>	<u>\$ 138,318</u>	<u>\$ 7,559,433</u>

See accompanying notes.



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	Water and Sewer	Refuse	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,220,483	\$ 117,890	\$ 1,338,373
Payments to suppliers	(581,031)	(99,597)	(680,628)
Payments to employees	(541,439)	(12,097)	(553,536)
Net cash provided by operating activities	<u>98,013</u>	<u>6,196</u>	<u>104,209</u>
<b>Cash flows from noncapital financing activities</b>			
Interfund transfers	21,902	(2,255)	19,647
Internal balances	249	4,053	4,302
Net cash provided by noncapital financing activities	<u>22,151</u>	<u>1,798</u>	<u>23,949</u>
<b>Cash flows from capital and related financing activities</b>			
Interest	158	28	186
Gain on sale of capital assets	-	2,255	2,255
Capital grant	55,960	-	55,960
Purchase of property and equipment	(99,311)	-	(99,311)
Principal paid on revenue bond maturities	(255,000)	-	(255,000)
Principal paid on note payable	(322,000)	-	(322,000)
Principal paid on capital leases	(3,545)	-	(3,545)
Forgiveness of debt	416,000	-	416,000
Interest on debt	(69,383)	-	(69,383)
Net cash provided by (used in) capital and related financing activities	<u>(277,121)</u>	<u>2,283</u>	<u>(274,838)</u>
Net decrease in cash and cash equivalents	(156,957)	10,277	(146,680)
Cash and cash equivalents, beginning	972,864	96,546	1,069,410
Cash and cash equivalents, ending	<u>\$ 815,907</u>	<u>\$ 106,823</u>	<u>\$ 922,730</u>
 Cash and cash equivalents	 \$ 197,795	 \$ 106,823	 \$ 304,618
Restricted cash	618,112	-	618,112
Total cash and cash equivalents	<u>\$ 815,907</u>	<u>\$ 106,823</u>	<u>\$ 922,730</u>

(CONTINUED)

## TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

-CONTINUED-

	Water and Sewer	Refuse	Total
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (245,116)	\$ 11,879	\$ (233,237)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	502,463	-	502,463
Changes in assets, deferred outflows, liabilities and deferred inflows			
Accounts receivable	(118,091)	(5,513)	(123,604)
Accounts payable	(12,561)	(170)	(12,731)
Customer deposits	6,108	-	6,108
Accrued interest	(1,822)	-	(1,822)
Other accrued liabilities	7,991	-	7,991
Deferred outflows	(10,895)	-	(10,895)
Deferred inflows	68,739	-	68,739
Net pension liability	(95,650)	-	(95,650)
Compensated absences payable	(3,153)	-	(3,153)
Net cash provided by operating activities	<u>\$ 98,013</u>	<u>\$ 6,196</u>	<u>\$ 104,209</u>
<b>Supplemental Information</b>			
Interest paid	<u>\$ 67,561</u>	<u>\$ -</u>	<u>\$ 67,561</u>

*See accompanying notes.*

## TOWN OF ESTILL, SOUTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

#### 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.

**Firemen's Fund** - Firemen's Fund is 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.

**ARPA Fund** - ARPA Fund is used to account for the proceeds of American Rescue Plan money that are legally (or donor) restricted to expenditures for specified purposes.

**Hospitality Tax Fund** - Hospitality Tax Fund is 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.

TOWN OF ESTILL, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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.

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.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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.

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.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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.

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.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$399,790 as of June 30, 2022.

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 \$453,801 as of June 30, 2022.

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, 2022, \$665,304 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 \$623,126. General Fund budgeted expenditures exceeded actual expenditures by \$313,418. Proprietary Fund budgeted revenue exceeded actual revenue by \$36,921. Proprietary Fund budgeted operating expenditures exceeded actual operating expenditures by \$526,427.

**3. Deposits**

At June 30, 2022, the carrying amount of the Town's unrestricted and restricted deposits totaled \$2,345,319, and the bank balance was \$2,179,205 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, 2022, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
State revenue	\$ 167,115	\$ -	\$ 167,115
Grant revenue	20,442	-	20,442
Water and sewer billings	-	563,578	563,578
Gross receivables	187,557	563,578	751,135
Less, allowance for uncollectibles	-	(193,095)	(193,095)
Net receivables	<u>\$ 187,557</u>	<u>\$ 370,483</u>	<u>\$ 558,040</u>

TOWN OF ESTILL, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 389,968	\$ -	\$ -	\$ 389,968
Construction in progress	225,000	-	-	225,000
Total capital assets, not being depreciated	614,968	-	-	614,968
Capital assets, being depreciated				
Buildings	1,562,652	-	-	1,562,652
Land improvements	193,822	-	-	193,822
Equipment	359,590	3,085	-	362,675
Vehicles	728,707	238,045	-	966,752
Total capital assets, being depreciated	2,844,771	241,130	-	3,085,901
Less accumulated depreciation for:				
Buildings	(1,080,031)	(38,036)	-	(1,118,067)
Land improvements	(167,139)	(7,790)	-	(174,929)
Equipment	(314,553)	(15,511)	-	(330,064)
Vehicles	(681,580)	(34,439)	-	(716,019)
Total accumulated depreciation	(2,243,303)	(95,776)	-	(2,339,079)
Total capital assets, being depreciated, net	601,468	145,354	-	746,822
Governmental activities capital assets, net	<u>\$ 1,216,436</u>	<u>\$ 145,354</u>	<u>\$ -</u>	<u>\$ 1,361,790</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 453,375	\$ -	\$ -	\$ 453,375
Construction in progress	7,000	93,175	-	100,175
Total capital assets, not being depreciated	460,375	93,175	-	553,550
Capital assets, being depreciated				
Utility plant	17,850,230	-	-	17,850,230
Equipment	449,386	6,136	-	455,522
Vehicles	137,117	-	-	137,117
Total capital assets, being depreciated	18,436,733	6,136	-	18,442,869
Less accumulated depreciation for:				
Utility plant	(8,256,028)	(481,903)	-	(8,737,931)
Equipment	(365,780)	(9,040)	-	(374,820)
Vehicles	(103,513)	(11,520)	-	(115,033)
Total accumulated depreciation	(8,725,321)	(502,463)	-	(9,227,784)
Total capital assets, being depreciated, net	9,711,412	(496,327)	-	9,215,085
Business-type activities capital assets, net	<u>\$ 10,171,787</u>	<u>\$ (403,152)</u>	<u>\$ -</u>	<u>\$ 9,768,635</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	\$ 14,982
Public Works	13,240
Police department	63,266
Fire department	4,288

Total depreciation - governmental activities	<u>\$ 95,776</u>
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Business type activities:

Water and sewer	<u>\$ 502,463</u>
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Total depreciation - business type activities	<u>\$ 502,463</u>
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**7. Interfund Receivables, Payables and Transfers**

Interfund transfers:

	General Fund	ARPA Fund	Water and Sewer	Refuse Fund	Total
General Fund	\$ -	\$ (91,861)	\$ (58,838)	\$ -	\$ (150,699)
ARPA Funds	91,861	(78,485)	78,485	-	91,861
Water and Sewer Fund	58,838	-	-	(2,255)	56,583
Refuse Fund	-	-	2,255	-	2,255
Total transfers	<u>\$ 150,699</u>	<u>\$ (170,346)</u>	<u>\$ 21,902</u>	<u>\$ (2,255)</u>	<u>\$ -</u>

Due to due from:

	General Fund	ARPA Fund	Water and Sewer	Refuse Fund	Total
General Fund	\$ -	\$ -	\$ 698	\$ -	\$ 698
ARPA Fund	-	-	5,000	-	5,000
Water and Sewer Fund	(698)	(5,000)	-	6,590	892
Refuse Fund	-	-	(6,590)	-	(6,590)
Total transfers	<u>\$ (698)</u>	<u>\$ (5,000)</u>	<u>\$ (892)</u>	<u>\$ 6,590</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, 2022:

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	\$ 12,031
Capital lease dated January 27, 2022, in the original amount of \$186,529 payable in quarterly installments of \$10,700. This lease is collateralized by four police vehicles	160,016
Capital lease dated June 3, 2022, in the original amount of \$49,449 payable in quarterly installments of \$2,900. This lease is collateralized by Police Ford F-150 pickup truck.	46,549
<b>Total governmental activities</b>	<b>\$ 218,596</b>

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>
2023	\$ 10,359	\$ 39,867	\$ 50,226
2024	9,863	51,063	60,926
2025	6,723	47,677	54,400
2026	3,754	50,645	54,399
2027	756	29,344	30,100
	<u>\$ 31,455</u>	<u>\$ 218,596</u>	<u>\$ 250,051</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 \$2,625,000 as of June 30, 2022.

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>
2023	63,559	265,000	\$ 328,559
2024	56,738	270,000	326,738
2025	49,789	275,000	324,789
2026	42,649	285,000	327,649
2027	35,318	290,000	325,318
2027-2031	64,133	1,240,000	1,304,133
	<u>\$ 312,186</u>	<u>\$ 2,625,000</u>	<u>\$ 2,937,186</u>

Notes Payable

Governmental activities:

For the year ended June 30, 2021, 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 \$3,557 as of June 30, 2022, and the note matures in November of 2022.

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2023	26	3,557	3,583
	<u>\$ 26</u>	<u>\$ 3,557</u>	<u>\$ 3,583</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, 2022 are as follows:

	Balances as of July 1, 2021	Increases	Decreases	Balances as of June 30, 2022	Due within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 17,571	\$ 235,978	\$ (34,954)	\$ 218,595	\$ 6,526
Note payable	13,992	-	(10,435)	3,557	3,557
Compensated absences	7,100	10,557	(7,100)	10,557	10,557
Accrued interest	928	869	(928)	869	869
<b>Total governmental activities</b>	<b>\$ 39,591</b>	<b>\$ 247,404</b>	<b>\$ (53,417)</b>	<b>\$ 233,578</b>	<b>\$ 21,509</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 2,880,000	\$ -	\$ (255,000)	\$ 2,625,000	\$ 265,000
Loans	322,000	-	(322,000)	-	-
Capital lease	3,547	-	(3,547)	-	3,547
Compensated absences	16,773	13,620	(16,773)	13,620	13,620
<b>Total business-type activities</b>	<b>\$ 3,222,320</b>	<b>\$ 13,620</b>	<b>\$ (597,320)</b>	<b>\$ 2,638,620</b>	<b>\$ 282,167</b>
<b>Total activities</b>	<b>\$ 3,261,911</b>	<b>\$ 261,024</b>	<b>\$ (650,737)</b>	<b>\$ 2,872,198</b>	<b>\$ 303,676</b>

**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 Annual Comprehensive Financial Report (ACFR) which includes financial statements and required supplementary information. A copy of the separately issued ACFR 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 ACFR.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

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

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members 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, 2021, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 16.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 16.41% and 0.15% contribution rate for the incidental death program. The Town's contributions for the years ended June 30, 2022, 2021 and 2020 are as follows:

Year Ended June 30,	Incidental			Incidental		
	Base	Death	Total	Base	Death	Total
2022	16.41%	0.15%	16.56%	\$ 79,650	\$ 728	\$ 80,378
2021	15.41%	0.15%	15.56%	81,725	795	82,520
2020	15.41%	0.15%	15.56%	73,100	712	73,812



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

*Police Officers Retirement System*

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

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

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

Effective July 1, 2021, 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, 2022, 2021 and 2020 are as follows:

Year Ended June 30,	Incidental			Incidental		
	Base	Death	Total	Base	Death	Total
2022	17.84%	0.40%	18.24%	\$ 53,793	\$ 1,142	\$ 54,935
2021	17.84%	0.40%	18.24%	50,661	1,136	51,797
2020	17.84%	0.40%	18.24%	67,269	1,508	68,777

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan (continued)**

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, 2022, the Town reported \$1,035,601 and \$485,898 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, 2021 actuarial valuations, using most recent membership data, projected forward to June 30, 2021, and financial information of the pension trust funds as of June 30, 2021, 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, 2021, the Town's SCRS proportion was 0.005% and its PORS proportion was 0.019%.

At June 30, 2022, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	SCRS	PORS
Differences between expected and actual experience	\$ 17,640	\$ 16,530
Assumption changes	56,685	34,657
Differences between employer contributions and proportionate share	125,791	13,174
Contributions made from measurement date to June 30, 2022	80,378	54,935
<b>Total deferred outflows of resources</b>	<b>280,494</b>	<b>119,296</b>
Deferred Inflows of Resources		
Differences between expected and actual experience	1,398	1,513
Net difference between project and actual investment earnings	150,435	108,936
Differences between employer contributions and proportionate share	4,126	187,393
<b>Total deferred inflows of resources</b>	<b>155,959</b>	<b>297,842</b>
<b>Net deferred outflows/(inflows)</b>	<b>\$ 124,535</b>	<b>\$ (178,546)</b>

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan (continued)**

Deferred outflows of \$80,378 and \$54,935 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, 2022.

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

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2023	\$ (42,212)	\$ 63,945	\$ 21,733
2024	(47,165)	70,857	23,692
2025	(11,073)	54,872	43,799
2026	56,293	43,807	100,100
	<u>\$ (44,157)</u>	<u>\$ 233,481</u>	<u>\$ 189,324</u>

The total pension liabilities in the July 1, 2021, 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	7.00%	7.00%
Projected Salary Increases	3.0% to 11.0%	3.5% to 10.5%
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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020. Assumption used in the determination of the June 30, 2021, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Males multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Males multiplied by 107%

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan (continued)**

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 2021 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 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

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

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.87%	3.16%
Bonds	26.00%	0.27%	0.07%
Private Equity	9.00%	9.68%	0.87%
Privatized Debt	7.00%	5.47%	0.39%
Real Assets	12.00%		
Real Estate	9.00%	6.01%	0.54%
Infrastructure	3.00%	5.08%	0.15%
Total Expected Return	100.00%		5.18%
Inflation for Actuarial Purposes			2.25%
			7.43%

The discount rate used to measure the total pension liability (TPL) was 7.00 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 7.00 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 (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Plan	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
SCRS	\$ 1,356,508	\$ 1,035,601	\$ 768,861
PORS	704,976	485,898	306,440
	<u>\$ 2,061,484</u>	<u>\$ 1,521,499</u>	<u>\$ 1,075,301</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, 2022, was \$6,672.

TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**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.

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 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. Subsequent events**

Subsequent events were evaluated through October 28, 2022 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\*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>									
Town's proportion of the net pension liability	0.0050%	0.0039%	0.0039%	0.0039%	0.0049%	0.0047%	0.0042%	0.0046%	0.0046%
Town's proportionate share of the net pension liability	\$ 1,035,601	\$ 1,109,732	\$ 895,147	\$ 871,074	\$ 1,106,446	\$ 1,009,467	\$ 803,379	\$ 783,359	\$ 816,108
Town's covered payroll	\$ 530,334	\$ 474,370	\$ 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	195.27%	233.94%	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	60.70%	54.40%	54.40%	54.10%	53.30%	52.91%	56.99%	59.92%	56.39%
<b>South Carolina Police Officers Retirement System</b>									
Town's proportion of the net pension liability	0.0290%	0.0290%	0.0290%	0.0271%	0.0278%	0.0299%	0.0258%	0.0206%	0.0206%
Town's proportionate share of the net pension liability	\$ 485,898	\$ 818,858	\$ 829,303	\$ 768,168	\$ 761,324	\$ 760,688	\$ 561,220	\$ 394,717	\$ 427,405
Town's covered payroll	\$ 283,975	\$ 377,067	\$ 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	171.11%	217.17%	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	70.40%	62.70%	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>									
Contractually required contributions	\$ 80,378	\$ 82,520	\$ 73,812	\$ 60,274	\$ 54,627	\$ 56,956	\$ 49,928	\$ 43,287	\$ 43,789
Contributions in relation to the contractually required contribution	(80,378)	(82,520)	(73,812)	(60,274)	(54,627)	(56,956)	(49,928)	(43,287)	(43,789)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 516,568	\$ 530,334	\$ 474,370	\$ 418,279	\$ 402,854	\$ 492,699	\$ 451,429	\$ 397,131	\$ 400,802
Contributions as a percentage of covered payroll	15.56%	15.56%	15.56%	14.41%	13.56%	11.56%	11.06%	10.90%	10.93%
<b>South Carolina Police Officers Retirement System</b>									
Contractually required contributions	\$ 54,935	\$ 51,797	\$ 68,777	\$ 72,358	\$ 60,939	\$ 53,286	\$ 50,995	\$ 42,944	\$ 31,842
Contributions in relation to the contractually required contribution	(54,935)	(51,797)	(68,777)	(72,358)	(60,939)	(53,286)	(50,995)	(42,944)	(31,842)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 301,184	\$ 283,975	\$ 377,067	\$ 419,710	\$ 375,240	\$ 379,530	\$ 376,625	\$ 325,087	\$ 247,991
Contributions as a percentage of covered payroll	18.24%	18.24%	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, 2022

Account Description	Budget	Actual	Variance Positive / (Negative)
Operating revenue	\$ 1,498,898	\$ 1,461,977	\$ (36,921)
Operating expenses:			
Salaries and employee benefits	578,685	429,233	149,452
Electricity and utilities	121,992	72,178	49,814
Materials and supplies	133,889	127,025	6,864
Chemicals and laboratory analysis	16,400	20,965	(4,565)
Depreciation and amortization	-	502,463	(502,463)
Insurance	84,664	82,215	2,449
Gas, oil, tires and repairs	17,100	13,537	3,563
Contracted services	118,966	141,770	(22,804)
Training, lodging	7,500	225	7,275
Telephone	11,000	13,112	(2,112)
Office supplies	2,400	2,064	336
DHEC permits	76,409	46,993	29,416
Repairs and maintenance, engineering, and capital equipment	373,095	234,996	138,099
Miscellaneous	679,541	8,438	671,103
Total operating expenses	<u>2,221,641</u>	<u>1,695,214</u>	<u>526,427</u>
Operating income (loss)	<u>(722,743)</u>	<u>(233,237)</u>	<u>489,506</u>
Nonoperating revenue (expense)			
Interest income	110	186	76
Grant income	750,000	55,960	(694,040)
Forgiveness of debt	395,028	416,000	20,972
Gain on sale of assets	-	2,255	2,255.00
Debt service	(328,796)	(69,383)	259,413
Total non-operating revenue (expense)	<u>816,342</u>	<u>405,018</u>	<u>(411,324)</u>
Net income (loss) before transfers	93,599	171,781	78,182
Transfers in (out)	<u>-</u>	<u>19,647</u>	<u>19,647</u>
Change in net position	<u>\$ 93,599</u>	<u>\$ 191,428</u>	<u>\$ 97,829</u>

See independent auditors' report on other financial information

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TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

YEAR ENDED JUNE 30, 2022

**Total Court Fines and Assessments:**

Court fines and assessments collected	\$	54,742
Court fines and assessments remitted to State Treasurer		(14,033)
Total Court fines and assessments retained	\$	40,709

**Surcharges and Assessments retained for Victim's Services**

Surcharges collected and retained	\$	1,349
Assessments retained		1,765
Total surcharges and assessments retained for victims services	\$	3,114

**Victim Services Collected**

Carryforward from previous year - beginning balance	\$	10,089
Victim Service Revenue		
Victim service fines retained by the Town		-
Victim service assessments retained by the Town		1,765
Victim service surcharges retained by the Town		1,349
Total funds allocated to victim service fund + beginning balance (A)		13,203
Expenditures for Victim Service Program		
Operating expenditures		1,424
Total expenditures from victim service fund/program (B)		1,424
Total victim service funds retained by the Town (A-B)		11,779
Carryforward funds - end of year	\$	11,779

*See independent auditors' report on other financial information*

