

Town of Blackville, South Carolina
Financial Statements
Year Ended June 30, 2021
(With Independent Auditor's Report Thereon)

Town of Blackville, South Carolina
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Independent Auditor's Report

The Honorable Mayor and
Members of Town Council
Town of Blackville
Blackville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackville, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

Town of Blackville, South Carolina

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackville, South Carolina as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, schedule of the proportionate share of the net pension liability and the schedule of contributions as listed in the table of content, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blackville, South Carolina's basic financial statements. The Schedule of Court Fines, Assessments, and Surcharges is presented for purposes of additional analysis as required by the State of South Carolina and are not a required part of the basic financial statements.

The Schedule of Court Fines, Assessments and Surcharges is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

Town of Blackville, South Carolina

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, Assessments and Surcharges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2022, on our consideration of Town of Blackville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Blackville, South Carolina's internal control over financial reporting and compliance.

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

April 29, 2022

Town of Blackville, South Carolina
Management's Discussion and Analysis
June 30, 2021

As management of the Town of Blackville, South Carolina (the Town), we offer readers of the Town's financial statements this narrative overview and analyses of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

Management believes the Town's financial condition is strong. The following are key financial highlights:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,217,937 (net position). Unrestricted net position was a deficit of \$461,472 primarily due to the effect of Government Accounting Standards Boards ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71 and collectively "Statements").
- The Town's net position increased by \$9,205 compared to the prior year net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$1,031,093, an increase of \$98,181 from the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$812,685 or 62 percent of total General Fund expenditures for the year ended June 30, 2021.
- At the end of the current fiscal year, the Town's proprietary fund, Water and Sewer, had a decrease in net position of \$116,774 to \$2,661,009, of which (\$635,214) was unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 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 a broad overview of the Town's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the Town's financial position. All assets and liabilities of the Town are included in the statement of net position.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing on the related cash flows. This statement also focuses on

Town of Blackville, South Carolina
Management's Discussion and Analysis
June 30, 2021

both the gross and net costs of the various functions of the Town, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the Town are presented in two columns on these statements – governmental activities and business-type activities. A total column for the Town is also provided. The governmental activities include the Town's basic services including general government, police, fire, public works, administrative, council, legal, judicial, and non-departmental. Taxes, licenses, permits and charges for services generally support these activities. The business-type activities include private sector type activities such as the Town's own water and sewer system. These activities are primarily supported by user charges and fees.

Fund Financial Statements

These statements provide more detailed information about the Town's most significant funds – not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the Town. Traditional fund financial statements are presented for governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the Town's near-term financing requirements. Since governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

Proprietary funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The proprietary funds provide the same information as the government-wide financial statements, only with more detail.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others outside the Town government. Fiduciary funds are reported separately because the money is not available to support the Town's programs.

Notes to the financial statements – The notes to the financial statements provide information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements.

Other information – Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The Town has chosen to present these budgetary statements as part of the required supplementary information.

Town of Blackville, South Carolina
Management's Discussion and Analysis
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the years ended June 30, 2021 and 2020.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the Town. The combined total assets of the Town's governmental activities and business-type activities exceeded liabilities by \$4,217,937 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 1,132,196	\$ 1,096,524	\$ (21,629)	\$ (31,733)	\$ 1,110,567	\$ 1,064,791
Capital assets, net	<u>1,486,411</u>	<u>1,492,505</u>	<u>3,393,277</u>	<u>3,548,201</u>	<u>4,879,688</u>	<u>5,040,706</u>
Total assets	<u>2,618,607</u>	<u>2,589,029</u>	<u>3,371,648</u>	<u>3,516,468</u>	<u>5,990,255</u>	<u>6,105,497</u>
Deferred outflows	<u>222,338</u>	<u>111,097</u>	<u>104,629</u>	<u>52,281</u>	<u>326,967</u>	<u>163,378</u>
Liabilities and Net Position						
Long-term liabilities	980,837	1,070,811	580,922	623,025	1,561,759	1,693,836
Other liabilities	<u>131,775</u>	<u>150,856</u>	<u>153,685</u>	<u>145,584</u>	<u>285,460</u>	<u>296,440</u>
Total liabilities	<u>1,112,612</u>	<u>1,221,667</u>	<u>734,607</u>	<u>768,609</u>	<u>1,847,219</u>	<u>1,990,276</u>
Deferred inflows	<u>171,405</u>	<u>47,510</u>	<u>80,661</u>	<u>22,357</u>	<u>252,066</u>	<u>69,867</u>
Net Position						
Net investment in capital assets	1,208,837	1,161,891	3,141,278	3,281,182	4,350,115	4,443,073
Restricted	174,349	192,054	154,945	144,972	329,294	337,026
Unrestricted	<u>173,742</u>	<u>77,004</u>	<u>(635,214)</u>	<u>(648,371)</u>	<u>(461,472)</u>	<u>(571,367)</u>
Total net position	<u>\$ 1,556,928</u>	<u>\$ 1,430,949</u>	<u>\$ 2,661,009</u>	<u>\$ 2,777,783</u>	<u>\$ 4,217,937</u>	<u>\$ 4,208,732</u>

By far, the largest portion of the Town's total net position (103%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in 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.

A portion of the Town's net position, \$329,294, represents resources that are subject to restrictions on how they may be used. At June 30, 2021, the Town had a deficit balance of unrestricted net position of (\$461,472).

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Management's Discussion and Analysis
June 30, 2021

Change in Net Position

The following table shows the revenues and expenses of the Town for the fiscal year ended June 30, 2021 and 2020.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues						
Charges for services	\$ 482,363	\$ 482,771	\$ 606,690	\$ 616,970	\$ 1,089,053	\$ 1,099,741
Capital grants and contributions	81,138	84,788	80,073	652,618	161,211	737,406
General Revenues						
Property taxes	281,664	249,502	-	-	281,664	249,502
Franchise taxes and business licenses	132,873	136,745	-	-	132,873	136,745
Intergovernmental	375,401	322,338	-	-	375,401	322,338
Other taxes and licenses	-	-	-	-	-	-
Unrestricted grants and contributions	32,704	4,070	-	-	32,704	4,070
Unrestricted interest income	146	178	468	1,104	614	1,282
Miscellaneous	24,585	13,890	-	-	24,585	13,890
Transfers	-	-	-	-	-	-
Total Revenues	<u>1,410,874</u>	<u>1,294,282</u>	<u>687,231</u>	<u>1,270,692</u>	<u>2,098,105</u>	<u>2,564,974</u>
Expenses:						
General government	316,554	326,883	-	-	316,554	326,883
Public safety	595,436	591,195	-	-	595,436	591,195
Streets and sanitation	338,426	372,627	-	-	338,426	372,627
Culture and recreation	21,127	33,484	-	-	21,127	33,484
Interest and fees	13,352	13,808	-	-	13,352	13,808
Business-type activities						
Water and sewer	-	-	804,005	829,711	804,005	829,711
Total Expenses	<u>1,284,895</u>	<u>1,337,997</u>	<u>804,005</u>	<u>829,711</u>	<u>2,088,900</u>	<u>2,167,708</u>
Decrease in net position	125,979	(43,715)	(116,774)	440,981	9,205	397,266
Net position, beginning	<u>1,430,949</u>	<u>1,474,664</u>	<u>2,777,783</u>	<u>2,336,802</u>	<u>4,208,732</u>	<u>3,811,466</u>
Net position, ending	<u>\$ 1,556,928</u>	<u>\$ 1,430,949</u>	<u>\$ 2,661,009</u>	<u>\$ 2,777,783</u>	<u>\$ 4,217,937</u>	<u>\$ 4,208,732</u>

Governmental activities

Governmental activities increased the Town's net position by \$125,979. The key elements of this increase are as follows:

Charges for services of \$482,771 was the Town's largest revenue, accounting for 34 percent of total governmental revenues. These charges are for fees primarily related to sanitation services, business licenses, and court fines. Property tax revenues account for \$281,664 of the \$1,410,874 total revenues for governmental

Town of Blackville, South Carolina
Management's Discussion and Analysis
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activities, 19 percent of total revenues. Another component of general revenues is the revenue received from franchise taxes and business licenses which accounted for \$132,873 (9 percent).

The Town's governmental expenditures decreased overall by 4 percent (\$53,102). The largest decrease was a 9 percent decrease in streets and sanitation.

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 316,554	\$ 104,161	\$ 326,883	\$ 148,813
Public safety	595,436	501,650	591,195	461,858
Streets and sanitation	338,426	93,184	372,627	122,853
Culture and recreation	21,127	9,047	33,484	23,106
Interest and fees	13,352	13,352	13,808	13,808
Total expenses	\$ <u>1,284,895</u>	\$ <u>721,394</u>	\$ <u>1,337,997</u>	\$ <u>770,438</u>

Charges for services, operating, and capital grants of \$563,501 (44 percent of the total costs of services) were received and used to fund governmental activities of the Town. The remaining \$721,394 in governmental activities expense is funded by property taxes, franchise fees, business licenses, and other revenue, including capital grants and contributions not restricted to specific programs.

Business-type activities

Charges for services of \$606,690 was the Town's largest program revenue for the business-type activities. These charges are for water and sewer services for the water and sewer enterprise fund.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As previously mentioned, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of the financial highlights from the fund financial statements.

Governmental funds – The purpose of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2021, the Town's governmental funds reported a combined ending fund balance of \$1,031,093, an increase of \$98,181 in comparison with the prior year.

Town of Blackville, South Carolina
Management's Discussion and Analysis
June 30, 2021

The *General Fund* is the primary operating fund of the Town. At the end of the current year, fund balance of the general fund increased by \$105,032 from last year.

The *Victims' Assistance Fund* is a special revenue fund. At the end of the current year, the fund balance decreased by \$6,851 from last year.

Proprietary funds – The Town's Proprietary Fund statements provide the same type of information as the government-wide financial statements but in more detail.

Unrestricted net position of the *Water and Sewer Fund* at the end of the year amounted to a deficit of \$635,214. The total decrease in net position was \$116,774.

Total operating revenues decreased by \$10,280 (1.7 percent). Excluding depreciation expense, the Water and Sewer Fund increased \$73,393. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. A budgetary comparison statement is included for the General Fund. This statement compares the original adopted budget, the final budget and the actual revenues and expenditures prepared on a budgetary basis. Amendments to the adopted budget may occur throughout the year in a legally permissible manner.

The Town's General Fund revenues were more than the amount budgeted by \$278,394. Expenditures exceeded budget by \$173,362 largely due to unbudgeted capital asset purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Town's net investment in capital assets for its government and business-type activities as of June 30, 2021, was \$4,879,688 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, and infrastructure. The major capital asset events during the current fiscal year included the following:

- \$94,019 for the purchase of vehicles and equipment
- \$578,119 for the utility system and improvements

**Town of Blackville, South Carolina
Management's Discussion and Analysis
June 30, 2021**

**The Town of Blackville Capital Assets
(Net of Accumulated Depreciation)**

Additional information on the Town's capital assets can be found in Note 7.

Debt administration – During the year, the Town made scheduled payments on bonds, notes and leases. Additional obligations were made during the year for the purchase of the fire truck, police vehicles, and construction of the water looping project.

Town of Blackville Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital leases	\$ 181,229	\$ 211,510	\$ -	\$ 14,470	\$ 181,229	\$ 225,980
Notes payable	93,295	111,396	40,090	30,491	133,385	141,887
Revenue bonds	-	-	211,909	222,058	211,909	222,058
Compensated absences	3,050	7,707	7,149	9,870	10,199	17,577
	<u>\$ 277,574</u>	<u>\$ 330,613</u>	<u>\$ 259,148</u>	<u>\$ 276,889</u>	<u>\$ 536,722</u>	<u>\$ 607,502</u>

Additional information on the Town's long-term debt can be found in the Notes to Financial Statements in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town continues to stabilize financially and adjust its expenditures with realistic revenue projections of the Town. Growth in population and the area of the Town remains stable.

During the current fiscal year, Town's general fund balance remained stable, allowing the Town to continue to provide quality service to the residents without a tax increase in the next fiscal year.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Blackville Town Clerk, 5983 Lartigue Street, Blackville, South Carolina 29817.

Town of Blackville, South Carolina

**Statement of Net Position
June 30, 2021**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 497,402	\$ 42,030	\$ 539,432
Taxes receivable, net	8,348	-	8,348
Accounts receivable, net	32,115	71,828	103,943
Other receivables	18,378	12,000	30,378
Due from other governments	99,527	-	99,527
Internal balances	302,432	(302,432)	-
Temporarily restricted assets			
Cash and cash equivalents	173,994	72,924	246,918
Investments	-	82,021	82,021
Capital assets			
Nondepreciable	764,601	96,910	861,511
Depreciable, net of accumulated depreciation	721,810	3,296,367	4,018,177
Total assets	<u>\$ 2,618,607</u>	<u>\$ 3,371,648</u>	<u>\$ 5,990,255</u>
Deferred outflows of resources - pensions	<u>222,338</u>	<u>104,629</u>	<u>326,967</u>
Total assets and deferred outflows of resources	<u><u>2,840,945</u></u>	<u><u>3,476,277</u></u>	<u><u>6,317,222</u></u>
Liabilities			
Accounts payable	\$ 54,099	\$ 25,579	\$ 79,678
Accrued expenses	23,200	10,476	33,676
Accrued interest	7,084	-	7,084
Customer deposits	1,400	86,814	88,214
Noncurrent liabilities:			
Due within one year	45,992	30,816	76,808
Due in more than one year	231,582	228,332	459,914
Net pension liability	749,255	352,590	1,101,845
Total liabilities	<u>1,112,612</u>	<u>734,607</u>	<u>1,847,219</u>
Deferred inflows of resources for pensions	<u>171,405</u>	<u>80,661</u>	<u>252,066</u>
Total deferred inflows of resources	<u>171,405</u>	<u>80,661</u>	<u>252,066</u>
Total liabilities and deferred inflows of resources	<u><u>1,284,017</u></u>	<u><u>815,268</u></u>	<u><u>2,099,285</u></u>
Net Position			
Invested in capital assets, net of related debt	1,208,837	3,141,278	4,350,115
Restricted for:			
Victims' assistance program	113,376	-	113,376
Capital outlay	16,699	-	16,699
Public safety	22,197	-	22,197
Recreation	22,077	-	22,077
Debt service	-	154,945	154,945
Unrestricted	173,742	(635,214)	(461,472)
Total net position	<u><u>\$ 1,556,928</u></u>	<u><u>\$ 2,661,009</u></u>	<u><u>\$ 4,217,937</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ (316,554)	\$ 212,393	\$ -	\$ -	\$ (104,161)	\$ -	\$ (104,161)
Public safety	(595,436)	12,648	-	81,138	(501,650)	-	(501,650)
Streets and sanitation	(338,426)	245,242	-	-	(93,184)	-	(93,184)
Culture and recreation	(21,127)	12,080	-	-	(9,047)	-	(9,047)
Interest on long-term debt	(13,352)	-	-	-	(13,352)	-	(13,352)
Total governmental activities	(1,284,895)	482,363	-	81,138	(721,394)	-	(721,394)
Business-type activities:							
Water and sewer	(804,005)	606,690	-	80,073	-	(117,242)	(117,242)
Total Primary Government	\$ (2,088,900)	\$ 1,089,053	\$ -	\$ 161,211	(721,394)	(117,242)	(838,636)
General revenues and transfers:							
Property taxes					281,664	-	281,664
Intergovernmental					375,401	-	375,401
Franchise taxes					132,873	-	132,873
Grants and contributions not restricted to specific programs					32,704	-	32,704
Unrestricted investment earnings					146	468	614
Miscellaneous					24,585	-	24,585
Total general revenues, special items, and transfers					847,373	468	847,841
Change in net position					125,979	(116,774)	9,205
Net position, beginning					1,430,949	2,777,783	4,208,732
Net position, ending					\$ 1,556,928	\$ 2,661,009	\$ 4,217,937

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Balance Sheet
Governmental Funds
June 30, 2021**

	General Fund	Victims' Assistance Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 497,402	\$ -	\$ 497,402
Restricted cash	60,973	113,021	173,994
Taxes receivable, net	8,348	-	8,348
Accounts receivable, net	32,115	-	32,115
Other receivables	18,378	-	18,378
Due from other governments	99,527	-	99,527
Due from other funds	302,432	355	302,787
Total assets	\$ 1,019,175	\$ 113,376	\$ 1,132,551
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 54,099	\$ -	\$ 54,099
Accrued expenses	23,200	-	23,200
Customer deposits	1,400	-	1,400
Due to other funds	355	-	355
Total liabilities	79,054	-	79,054
Deferred inflows of resources:			
Unavailable revenue - property taxes	22,404	-	22,404
Total deferred inflows of resources	22,404	-	22,404
Total liabilities and deferred inflows of resources	101,458	-	101,458
Fund balances:			
Restricted for:			
Capital outlay	16,699	-	16,699
Public safety	22,197	-	22,197
Recreation	22,077	-	22,077
Victims' assistance program	-	113,376	113,376
Unassigned	856,744	-	856,744
Total fund balances	917,717	113,376	1,031,093
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,019,175	\$ 113,376	\$ 1,132,551

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2021**

Total fund balance - Governmental Funds	\$ 1,031,093
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds. The cost of assets is \$3,403,265 and the accumulated depreciation is \$1,916,854.	1,486,411
Other long-term assets are not available to pay for current period expenditures and, therefore are not reported in the funds	
Unavailable revenue - property taxes	22,404
Deferred outflows of resources related to pensions	222,338
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.	
Note payable	(274,524)
Accrued interest	(7,084)
Compensated absences	(3,050)
Net pension liability	(749,255)
Deferred inflows of resources related to pensions	<u>(171,405)</u>
Total net position of Governmental Activities	\$ <u>1,556,928</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Victims' Assistance Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 283,233	\$ -	\$ 283,233
Franchise fees	132,873	-	132,873
Licenses and permits	212,393	-	212,393
Intergovernmental	375,401	-	375,401
Charges for services	257,321	-	257,321
Fines and forfeitures	10,780	1,868	12,648
Grants	113,842	-	113,842
Investment earnings	146	-	146
Miscellaneous	24,585	-	24,585
Total revenues	<u>1,410,574</u>	<u>1,868</u>	<u>1,412,442</u>
Expenditures			
Current:			
General government	289,877	-	289,877
Public safety	501,891	7,219	509,110
Streets and sanitation	312,051	-	312,051
Culture and recreation	8,270	-	8,270
Capital outlay	133,340	1,500	134,840
Debt service			
Principal	48,383	-	48,383
Interest	11,730	-	11,730
Total expenditures	<u>1,305,542</u>	<u>8,719</u>	<u>1,314,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,032</u>	<u>(6,851)</u>	<u>98,181</u>
Other Financing Sources (Uses)			
Proceeds from issuance of debt	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	105,032	(6,851)	98,181
Fund balance, beginning of year	812,685	120,227	932,912
Fund balance, end of year	\$ <u>917,717</u>	\$ <u>113,376</u>	\$ <u>1,031,093</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$	98,181
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$	134,840
Depreciation expense	\$ (138,423)	(3,583)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of debt payments and related items is as follows:

Debt issued	\$	-
Debt repaid:		
Capital lease payable	\$ 53,040	53,040

Some property taxes will not be collected for several months after the Town's fiscal year end and are not considered "available" revenues in the governmental funds.

Pension expense that is related to net pension liability as recorded in the statement of activities is based on the Town's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds is based on the use of financial resources (e.g. required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the Town's proportionate share of pension expense exceeds actual contributions.		(21,712)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. The details are as follows:

Interest expense	\$	(4,604)
Compensated absences		
Current year	(3,050)	
Prior year	7,707	53

Change in net position of governmental activities	\$	<u>125,979</u>
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The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Statement of Net Position
Proprietary Fund - Enterprise Fund
June 30, 2021**

Assets

Current Assets

Cash and cash equivalents	\$ 42,030
Accounts receivable, net of allowance for uncollectibles	71,828
Due from other governments	12,000
Restricted assets	
Cash	72,924
Investments	82,021
Total current assets	<u>280,803</u>

Non-Current Assets

Capital Assets, net of accumulated depreciation	<u>3,393,277</u>
Total assets	<u>3,674,080</u>

Deferred outflows of resources - pensions

Total assets and deferred outflows of resources	<u><u>\$ 3,778,709</u></u>
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Liabilities

Current Liabilities

Accounts payable	25,579
Accrued expenses	10,476
Customer deposits	86,814
Due to other funds	302,432
Compensated absences	7,149
Notes, capital leases and revenue bonds payable	23,667
Total current liabilities	<u>456,117</u>

Non-Current Liabilities

Notes, capital leases and revenue bonds payable	228,332
Net pension liability	352,590
Total non-current liabilities	<u>580,922</u>

Total liabilities	<u>1,037,039</u>
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Deferred inflows of resources - pensions

Total liabilities and deferred inflows of resources	<u>1,117,700</u>
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Net Position

Invested in capital assets, net of related debt	3,141,278
Restricted for:	
Debt service	154,945
Unrestricted	(635,214)
Total net position	<u><u>2,661,009</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund -Enterprise Fund
Year Ended June 30, 2021

Operating Revenues

Charges for sales and services	
Water charges, net	\$ 271,639
Sewer charges, net	292,794
Penalties	17,413
Other fees and charges	24,844
Total operating revenues	<u>606,690</u>

Operating Expenses

Cost of services	102,700
Salaries and related	302,499
Utilities	66,728
Repairs and maintenance	42,898
Supplies	61,764
Administration	25,478
Depreciation	190,167
Total operating expenses	<u>792,234</u>
Operating income	<u>(185,544)</u>

Non-Operating Revenue (Expenses)

Other income	7,883
Grants and donations	72,190
Interest income	468
Interest expense	(11,771)
Total non-operating revenue (expenses)	<u>68,770</u>
Income (loss) before contributions and transfers	<u>(116,774)</u>

Capital contribution	-
Transfers in	<u>-</u>

Change in net position (116,774)

Net position, beginning of year	<u>2,777,783</u>
Net position, end of year	<u>\$ 2,661,009</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

**Statement of Cash Flows
Proprietary Fund - Enterprise Fund
Year Ended June 30, 2021**

Cash Flows from Operating Activities	
Receipts from customers and others	\$ 600,450
Payments to suppliers	(322,484)
Payments to employees	(298,309)
Net cash provided (used) by operating activities	<u>(20,343)</u>
Cash flows from Noncapital Financing Activities	
Capital grants and donations	72,190
Net cash provided (used) by noncapital financing activities	<u>72,190</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(35,243)
Principal paid on capital debt	(15,020)
Interest paid on capital debt	(11,838)
Net cash provided (used) by financing activities	<u>(54,218)</u>
Cash Flows from Investing Activities	
Interest income	468
Net cash provided (used) by investing activities	<u>468</u>
Net decrease in cash and cash equivalents	(1,903)
Cash and cash equivalents, beginning of year	116,857
Cash and cash equivalents, end of year	<u>\$ 114,954</u>
Reconciliation of operating income (loss) to net cash provided	
(used) by operating activities:	
Operating income	\$ (185,544)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	190,167
Change in assets and liabilities:	
Accounts receivable, net of allowance for uncollectibles	(4,397)
Due from other governments	(10,858)
Deferred outflows for pensions	(52,348)
Accounts payable	(36,382)
Accrued payroll and related liabilities	4,719
Due to/from other funds	3,248
Customer security deposits	9,015
Compensated absences	(529)
Net pension liability	4,262
Deferred inflows for pensions	58,304
Net cash provided (used) by operating activities	<u>\$ (20,343)</u>
Reconciliation to Statement of Net Position	
Unrestricted cash and cash equivalents	\$ 42,030
Restricted cash and cash equivalents	72,924
Total cash and cash equivalents	<u>\$ 114,954</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

Statement of Fiduciary Net Position
Agency Fund
June 30, 2021

	Firemen's Fund
Assets	
Cash and cash equivalents	\$ 9,867
Total assets	<u>\$ 9,867</u>
Net Position	
Held as agent	<u>9,867</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 1 – Description of Entity

The Town of Blackville, South Carolina, (the “Town”) is a municipal corporation of the State of South Carolina, and operates pursuant to the provisions of the Home Rule Act, Act No. 283 of 1975, codified in Title 5 of the South Carolina Code, as amended. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and sanitation, culture-recreation, public improvements, planning and zoning, and general and administrative services. The Town also owns and operates a utility system which provides water and sewer services. The financial statements of the Town include all of the above operations. No other organizations are included in the financial statements and the Town is not included in any other governmental “reporting entity” as defined by GASB, since Council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Town’s reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there were no organizations which met the criteria described above.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Town’s basic financial statements consist of government-wide financial statements that include a statement of net position, a statement of activities and fund financial statements that provide a more detailed level of financial information.

Government-wide financial statements

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature, which normally are supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The statement of net

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Government-wide financial statements, continued

position presents the financial condition of the governmental and business-type activities of the Town at year-end.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Fund Financial Statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Accounting

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property taxes collected within this sixty-day period is an example of such revenue. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, licenses, state shared revenues, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, or specifically identified.

Governmental funds include the following types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *victims' assistance fund* is a special revenue fund. The fund receives a portion of fines and assessments collected by the municipal court which are required by state law to be used to fund a victims' assistance program. It is used exclusively for the purpose of providing assistance to victims of crimes.

The *proprietary fund (enterprise fund)* is 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 the user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The water and sewer fund is accounted for as an Enterprise Fund operation.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Accounting, continued

The *fiduciary fund* accounts for the assets held by the government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. The *firemen's fund* accounts for assets the government holds for others in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents

The Town considers all highly liquid investments, including cash on hand, demand deposits and short-term investments with original maturities of three months or less to be cash and cash equivalents. The Town's investment policy is designed to operate within existing statutes of the State of South Carolina.

Interfund Receivables and 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 the balance sheet.

Receivables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes become a lien on real and personal property (except vehicles) owned on December 31. These taxes are usually levied on or before October 31 and are due without penalty by January 15.

Town of Blackville, South Carolina

**Notes to the Financial Statements
Year Ended June 30, 2021**

Note 2 – Summary of Significant Accounting Policies, continued

Receivables, continued

Penalties are added to the taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 16	10% of tax
March 17 through March 31	15% of tax

Both lien and the collection date for motor vehicles taxes are the last day of the month in which the motor vehicle license expires.

An annual millage rate is established by town council as part of the budget process. All the Town's real and personal property taxes are assessed and collected by Saluda County.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services.

Restricted Assets

Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use by applicable laws, grant agreements, contributors, or bond covenants.

Capital Assets

The Town's capital assets are recorded at cost for the government-wide financial statements but are not capitalized in the Town's fund financial statements. Capital assets in the Proprietary Fund are capitalized at cost in the proprietary fund statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of land is not depreciated. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the respective assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, when material.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Capital Assets, continued

Depreciation computed using the straight-line method over the following estimated useful lives of the assets, generally 20 to 40 years for buildings, land improvements, infrastructure, and water and sewer systems and 3 to 8 years for machinery, equipment, and vehicles. A half year of depreciation is taken the year the asset is placed in service and in the current year of disposition.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for sick pay benefits which are not vested.

Long-term obligations

In the government-wide financial statements and proprietary fund type 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement Systems (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Balance Reporting

In the fund financial statements, the Town implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2015. GASB No. 54 established that fund balance for governmental funds should be reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which the amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable – generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.

Legally or Contractually Required to be Maintained Intact – amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted – amounts that can be used only for specific purpose because of (a) constitutional provisions of enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligation if existing resources have been committed for use in satisfying those contractual requirements. The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative unassigned general fund balance.

Unassigned - this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Town of Blackville, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Balance Reporting, continued

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is classified as invested in capital assets net of related debt, restricted and unrestricted. Net position invested in capital assets, net of related debt; consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt that has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for expenditures are recorded to reserve a portion of an applicable appropriation, is utilized in governmental funds, primarily the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities under accounting principles generally accepted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments

Financial instruments that potentially subject the Town to concentration of credit risk are trade receivables, interest bearing investments and cash. Due to the large diversity of the Town's proprietary fund customer base, concentrations of credit risk with respect to receivables are limited. The Town places all of its cash and cash equivalents with high-quality financial institutions and requires deposits to be collateralized.

Town of Blackville, South Carolina

**Notes to the Financial Statements
Year Ended June 30, 2021**

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value Measurement

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2021, the Town's carrying values of cash and cash equivalents, taxes receivable, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the terms and relatively short maturity of financial instruments. The carrying values of notes payable approximate their fair values, as interest approximates market rates.

Budgets and Budgetary Accounting

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. All annual appropriations lapse at fiscal yearend.

Note 3 – Deposits and Investments

The State of South Carolina General Statutes permits the Town to invest in certain types of financial instruments. Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of the state statutes. The Town has not formally adopted a policy governing deposits and investments.

As of June 30, 2021, bank balances of the Town's deposits were \$814,633.

Interest rate risk – The Town manages its exposure to declines in fair values by limiting its investments to certificates of deposit and federal notes which can be sold and withdrawn on demand.

Credit risk – At June 30, 2021, the Town's investments consisted of certificates of deposit in the amount of \$82,021.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2021, the Town did not have any deposits exposed to custodial credit risk.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 3 – Deposits and Investments, continued

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021:

- Certificates of deposit of \$82,021 are valued using quoted market prices (Level 1 inputs)

Note 4 – Restricted Assets

Certain assets of the Town are restricted as to their use. Restricted assets are described as follows:

<u>Type of Restricted Asset</u>	<u>Cash, Including Time Deposits</u>
Governmental Activities	
Victims' Assistance	\$ 113,376
Public safety	22,197
Recreation	<u>22,077</u>
	<u>\$ 113,376</u>
Business-Type Activities	
Revenue Bond covenants	\$ <u>154,945</u>
	<u>\$ 154,945</u>

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 5 - Receivables

Receivables as of June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes (net of allowance for uncollectibles of \$44,921)	\$ 8,348	\$ -	\$ 8,348
Accounts (net of allowance for uncollectibles of \$3,211 for Governmental and \$29,128 for Business- Type Activities)	32,115	71,768	103,883
Other receivables	18,378	12,060	30,438
	<u>58,841</u>	<u>83,828</u>	<u>142,669</u>
Due from other governments:			
State Treasurer's Office	99,527	-	99,527
	<u>99,527</u>	<u>-</u>	<u>99,527</u>
Total receivables	\$ <u>158,368</u>	\$ <u>83,828</u>	\$ <u>242,196</u>

Note 6 – Interfund receivables, payables and transfers

As of June 30, 2021, interfund receivables and payables that resulted from regularly recurring operational transfers were as follows:

	Receivable Fund	Payable Fund
Governmental Funds		
General Fund	\$ 302,432	\$ 355
Victims' Assistance Fund	355	-
	<u>-</u>	<u>302,432</u>
Business Type Fund - Enterprise Fund	\$ <u>302,787</u>	\$ <u>302,787</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the funds with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted general fund revenues to finance various programs that the Town must account for in other funds in accordance with budgeting authorizations, including amounts provided as subsidies or matching funds for various grant programs. There were no interfund transfers during the year.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 7 – Capital Assets

A summary of the changes in the Town's capital assets for governmental activities is as follows:

	Balance July 1, 2020	Additions	Dispositions	Balance June 30, 2021
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 759,183	\$ -	\$ -	\$ 759,183
Construction in progress	-	5,418	-	5,418
Total non-depreciable capital assets	<u>759,183</u>	<u>5,418</u>	<u>-</u>	<u>764,601</u>
Depreciable capital assets:				
Buildings and systems	242,871	-	-	242,871
Infrastructure	783,331	-	-	783,331
Machinery and equipment	<u>1,537,076</u>	<u>126,184</u>	<u>(50,796)</u>	<u>1,612,464</u>
Total depreciable capital assets	<u>2,563,278</u>	<u>126,184</u>	<u>(50,796)</u>	<u>2,638,666</u>
Less accumulated depreciation				
Buildings and systems	(169,084)	(7,858)	-	(176,942)
Infrastructure	(523,398)	(36,912)	-	(560,310)
Machinery and equipment	<u>(1,137,474)</u>	<u>(93,653)</u>	<u>51,523</u>	<u>(1,179,604)</u>
Total accumulated depreciation	<u>(1,829,956)</u>	<u>(138,423)</u>	<u>51,523</u>	<u>(1,916,856)</u>
Total capital assets, being depreciated, net	<u>733,322</u>	<u>(12,239)</u>	<u>727</u>	<u>721,810</u>
Governmental activities capital assets, net	\$ <u>1,492,505</u>	\$ <u>(6,821)</u>	\$ <u>727</u>	\$ <u>1,486,411</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 55,992
Public safety	66,789
Streets and sanitation	5,133
Culture and recreation	<u>10,509</u>
Total depreciation expense - governmental activities	\$ <u>138,423</u>

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 7 – Capital Assets, continued

A summary of the Town's capital assets for business-type activities is as follows:

	Balance July 1, 2020	Additions	Dispositions	Balance June 30, 2021
Business-Type Activities				
Non-depreciable capital assets:				
Construction in progress	\$ 565,767	\$ 12,000	\$ (565,767)	\$ 12,000
Total non-depreciable capital assets	565,767	12,000	(565,767)	12,000
Depreciable capital assets:				
Buildings	63,471	-	-	63,471
Utility system and improvements	9,012,568	-	-	9,012,568
Vehicles and equipment	515,420	589,010	-	1,104,430
Total depreciable capital assets	9,591,459	589,010	-	10,180,469
Less accumulated depreciation				
Buildings	(50,368)	(987)	-	(51,355)
Utility system and improvements	(6,211,017)	(161,611)	-	(6,372,628)
Vehicles and equipment	(347,640)	(27,569)	-	(375,209)
Total accumulated depreciation	(6,609,025)	(190,167)	-	(6,799,192)
Total capital assets, being depreciated, net	2,982,434	398,843	-	3,381,277
Business-type activities capital assets, net	\$ 3,548,201	\$ 410,843	\$ (565,767)	\$ 3,393,277

Depreciation for the business-type activities for the year ended June 30, 2021 was \$190,167.

Note 8 – Long-Term Debt

The Town has the following forms of long-term debt:

- Revenue Bonds – The Town's revenue bonds were used to finance construction of water and sewer facilities and the purchase of real estate for use in business-type activities. The Revenue Bonds are reported in the proprietary fund since they are expected to be repaid from revenues, primarily water and sewer sales and services, which are generated by proprietary fund activities.
- Notes Payable and Capital Lease Obligations – The Town uses notes and leases to finance the purchase of various equipment. Repayment is budgeted in the proprietary fund and in the general fund.
- Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which are not funded by the current or prior years' revenue resources. These obligations are primarily funded by the general fund or proprietary fund.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 8 – Long-Term Debt, continued

Changes in governmental activities long-term debt for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Capital leases payable	\$ 211,510	\$ -	\$ (30,281)	\$ 181,229	\$ 27,035
Compensated absences	7,707	3,497	(8,154)	3,050	-
Notes payable	111,396	-	(18,101)	93,295	18,957
Governmental activities long-term liabilities	\$ 330,613	\$ 3,497	\$ (56,536)	\$ 277,574	\$ 45,992

The Town has entered into various lease agreements for governmental activities as follows:

- A 13-year lease maturing in 2026 to finance the acquisition of a fire truck, requiring twelve annual payments of \$31,929, including interest at 3.67%.
- A 6-year lease maturing in 2021 to finance the acquisition of two police vehicles requiring five annual payments of \$16,337, including interest at 2.65%.

These lease agreements qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments. The annual governmental activities future minimum lease requirements as of June 30, 2021 is as follows:

Year ending June 30,	<u>Governmental Activities</u>
2022	\$ 31,929
2023	31,929
2024	31,929
2025	31,929
2026	31,929
Thereafter	31,929
	191,574
Less amount representing interest	10,345
	\$ 181,229

The assets acquired through the capital leases have the following carrying values:

	<u>Governmental Activities</u>
Equipment	\$ 398,598
Less accumulated depreciation	(232,001)
	\$ 166,597

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 8 – Long-Term Debt, continued

At June 30, 2021, the Town had the following notes payable for governmental activities:

Notes payable:

Note payable to USDA, bearing interest at 3.875%, collateralized by vehicle, payable in 10 annual installments of \$1,777, including interest. The note matures March 2029.	\$ 12,024
Note payable to USDA, bearing interest at 3.250%, collateralized by vehicles, payable in 10 annual installments of \$4,061, including interest. The note matures March 2029.	35,808
Note payable to USDA, bearing interest at 3.875%, collateralized by vehicles, payable in 10 annual installments of \$6,911, including interest. The note matures March 2029.	46,772
Note payable to financial institution, bearing interest at 4.25%, collateralized by vehicle, payable in 3 annual installments of \$11,089, including interest. The note matures November 2021.	<u>10,714</u>
	<u>\$ 105,318</u>

The annual requirements to amortize all non-lease debt outstanding, as of June 30, 2021, are as follows:

<u>Government Activities</u>			
	<u>Principal</u>		<u>Interest</u>
2022	\$ 20,268	\$	3,688
2023	9,904		2,845
2024	10,261		2,488
2025	10,645		2,104
2026	11,035		1,714
Thereafter	<u>43,205</u>		<u>2,641</u>
	<u>\$ 105,318</u>	\$	<u>15,480</u>

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 8 – Long-Term Debt, continued

Changes in business-type activities long-term debt for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Demand notes	\$ 30,491	\$ 45,235	\$ (35,636)	\$ 40,090	\$ 14,785
Revenue bonds	222,058	-	(10,149)	211,909	8,882
Capital leases payable	14,470	-	(14,470)	-	-
	<u>267,019</u>	<u>45,235</u>	<u>(60,255)</u>	<u>251,999</u>	<u>23,667</u>
Compensated absences	9,870	7,189	(9,910)	7,149	7,149
Business-type activities long-term liabilities	<u>\$ 276,889</u>	<u>\$ 52,424</u>	<u>\$ (70,165)</u>	<u>\$ 259,148</u>	<u>\$ 30,816</u>

At June 30, 2021, the Town had the following notes and bonds payable for business-type activities:

Demand notes:

Tow notes payable to a bank, bearing interest at 3.05% and 3.45%, payable in 48 monthly installments of \$496 and \$826, including interest through August 2024.

\$ 40,090
\$ 40,090

Revenue bonds:

\$340,000 Water and Sewer System Revenue Bonds of 1998, due in monthly installments of \$1,530, including interest at 4.5%, payable payable to USDA Rural Development through February 2038.

211,909
\$ 211,909

The annual requirements to amortize all non-lease debt outstanding, as of June 30, 2021, are as follows:

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 23,667	\$ 10,555
2023	24,558	9,664
2024	18,806	8,795
2025	11,144	8,182
2026	10,655	7,705
Thereafter	<u>163,169</u>	<u>46,441</u>
	<u>\$ 251,999</u>	<u>\$ 91,342</u>

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 8 – Long-Term Debt, continued

Significant limitations and restrictions contained in the various bond indentures are summarized as follows:

1. Sinking Funds – the revenue bonds provide for the creation of a sinking fund.
2. Bond and Interest Funds – all revenue bonds require a Bond and Interest Fund with monthly deposits of 1/12 of the annual payment due.
3. Cushion Funds – all revenue bonds require a Cushion Fund to be set up with required monthly deposits of 1/10 of the monthly Bond and Interest Fund Deposit. The deposits are to be made until the account has a balance equal to the highest combined principal and interest due in any subsequent year.
4. Depreciation Fund – Only one Depreciation Fund is required to meet the restriction of all revenue bonds. The required monthly deposit is 1/12 of the sum determined to be needed for the current year in order to provide a reserve for the purpose of the restoring depreciated or obsolete items of the Water System.
5. Contingency Fund – only one Contingent Fund is required to meet the restrictions of all revenue bonds. The required monthly deposit is 1/12 of the sum determined to be needed to build up a reserve for improvements, betterments, and extension to the Water System, other than expenses necessary to maintain the system in good repair, and to defray the cost of unforeseen contingencies.
6. Gross Revenue Fund and Operation Maintenance Fund – all four revenue bonds require the establishment of these two funds. The requirement is substantially satisfied by the Town's Water and Sewer Fund operating bank account into which all gross revenue is deposited and out of which all operation and maintenance expenses are paid.

Management believes the Town is in compliance with the limitations and restrictions as of June 30, 2021.

Note 9 – Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 2 for a description of each of these categories). A detailed schedule of fund balance at June 30, 2021 is as follows:

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 9 – Fund Balances, continued

	General Fund	Victims' Assistance Fund	Total Governmental Funds
Fund Balances			
Restricted	\$ 60,973	\$ 113,376	\$ 174,349
Total restricted	60,973	113,376	174,349
Unassigned	856,744	-	856,744
Total fund balances	\$ 917,717	\$ 113,376	\$ 1,031,093

Note 10 – Retirement Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 10 – Pension Plan, continued

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below:

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 10 – Pension Plan, continued

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- **SCRS** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 10 – Pension Plan, continued

Contributions, continued

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates (1) are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%

Required employer contributions rates (1) are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
SCRS		
Employer Class Two	15.41%	15.41%
Employer Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%

(1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 10 – Pension Plan, continued

Pension Plan Fiduciary Net Position

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS is presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Actuarial Assumptions

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 10 – Pension Plan, continued

Actuarial Assumptions, continued

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2020.

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return (1)	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually

(1) Includes inflation at 2.25%

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

Former Job Class	Males	Females
Educators	2016 PRSC males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 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 below. For actuarial purposes, the 7.25 percent assumed annual

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 10 – Pension Plan, continued

Long-Term Expected Rate of Return, continued

investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real estate (Private)	8.0%	5.55%	0.44%
Real estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100.0%		5.80%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 10 – Pension Plan, continued

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's 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.

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 1,443,280	\$ 1,101,845	\$ 818,042

Net Pension Liability

At June 30, 2021, the Town reported a net pension liability of \$1,101,845 for its proportionate share of the SCRS pension liabilities. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate shares of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Town's proportionate shares of the SCRS plan was .005091 percent, for June 30, 2021.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense for the SCRS plan of \$91,221.

Town of Blackville, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2021**

Note 10 – Pension Plan, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the SCRS plan, there were total deferred outflows of resources of \$326,967 consisting of differences between expected and actual experience of \$79,080, the net difference between projected and actual earnings on pension plan investments of \$81,225, changes in proportion and differences between employer contributions and proportionate share of contributions of \$77,474, and Town contributions subsequent to the measurement date of \$89,188. There were deferred inflows of resources of \$252,066 for the SCRS plan consisting of differences between expected and actual experience.

The \$89,188 reported as deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date for the SCRS plan during the year ended June 30, 2021 will be recognized as a reduction of the net pension liabilities 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 expense as follows for the SCRS plan:

For the SCRS plan, \$20,789 will be recognized for the fiscal years 2022. For fiscal year 2023 \$17,128 will be recognized. For fiscal year 2024 \$7,688 will be recognized and \$(59,892) will be recognized in 2025.

Covered Payroll and Contributions

The payroll for Town employees covered by the SCRS totaled \$578,767 and \$523,894 for the year ended June 30, 2021 and 2020.

The Town's contributions to SCRS are summarized as follows:

Year Ended	Employer		Employee	
	Percent	SCRS	Percent	SCRS
June 30, 2021	100%	\$ 89,188	100%	\$ 52,159
June 30, 2020	100%	\$ 80,732	100%	\$ 47,150
June 30, 2019	100%	\$ 72,539	100%	\$ 45,305

Note 11 – Post-Employment Benefits

As of June 30, 2021, the Town does not offer any post-employment retirement benefits to its employees.

Town of Blackville, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 12 – Risk Management

The Town is exposed to various risks of loss relating to torts, theft or impairment of assets, errors or omissions, damages to and destruction of assets, injuries to employees and natural disasters. The Town pays premiums to a public entity risk pool for workers' compensation insurance and for property and casualty coverage. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. The public entity risk pool is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

During the fiscal year ended June 30, 2021, the Town did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for unasserted claims is necessary.

Note 13 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town is party to various legal proceeding that normally occur in governmental operations. These lawsuits may involve environmental issues, employment matters, and certain claims under contractual agreements. In the opinion of management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the Town's financial position. Additionally, the Town would be allowed to appropriate any required funds in a subsequent fiscal year.

Note 14 – Subsequent Events

Subsequent events were evaluated through April 29, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Information

Town of Blackville, South Carolina

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 222,400	\$ 222,400	\$ 283,233	\$ 60,833
Other taxes	-	-	-	-
Franchise fees	145,000	145,000	132,873	(12,127)
Licenses and permits	172,100	172,100	212,393	40,293
Intergovernmental	301,930	301,930	375,401	73,471
Charges for services	261,500	261,500	257,321	(4,179)
Fines and forfeitures	25,000	25,000	10,780	(14,220)
Grants	-	-	113,842	113,842
Investment earnings	150	150	146	(4)
Contributions	-	-	-	-
Miscellaneous	4,100	4,100	24,585	20,485
Total revenues	<u>1,132,180</u>	<u>1,132,180</u>	<u>1,410,574</u>	<u>278,394</u>
Expenditures				
Current:				
General government	263,986	263,986	289,877	(25,891)
Public safety	516,979	516,979	501,891	15,088
Streets and sanitation	275,873	275,873	312,051	(36,178)
Culture and recreation	15,225	15,225	8,270	6,955
Capital outlay	-	-	133,340	(133,340)
Debt service				
Principal	48,383	48,383	48,383	-
Interest	11,734	11,734	11,730	4
Total expenditures	<u>1,132,180</u>	<u>1,132,180</u>	<u>1,305,542</u>	<u>(173,362)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>105,032</u>	<u>105,032</u>
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>105,032</u>	<u>105,032</u>
Fund balance, beginning of year	812,685	812,685	812,685	-
Fund Balance, end of year	<u>\$ 812,685</u>	<u>\$ 812,685</u>	<u>\$ 917,717</u>	<u>\$ 105,032</u>

Town of Blackville, South Carolina

**Schedule of Proportionate Share of the Net Pension Liability
Employee Pension Plan
Year Ended June 30, 2021**

<u>System</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
SCRS					
2015	0.004710%	\$ 810,906	\$ 458,373	176.91%	59.92%
2016	0.004889%	\$ 927,222	\$ 482,806	192.05%	57.00%
2017	0.004986%	\$ 1,065,002	\$ 499,442	213.24%	52.90%
2018	0.004950%	\$ 1,114,325	\$ 477,531	233.35%	53.30%
2019	0.004608%	\$ 1,032,536	\$ 503,392	205.12%	54.10%
2020	0.004696%	\$ 1,088,525	\$ 523,894	207.78%	54.40%
2021	0.005091%	\$ 1,101,845	\$ 578,767	190.38%	50.70%

*See Notes to Required Supplementary Information.
Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available.*

Town of Blackville, South Carolina

**Schedule of Contributions to Employee Pension Plan
Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCRS							
Contractually required contribution	\$ 89,188	\$ 80,732	\$ 72,539	\$ 64,037	\$ 56,986	\$ 53,397	\$ 49,962
Contributions in relation to the contractually required contribution	<u>89,188</u>	<u>80,732</u>	<u>72,539</u>	<u>64,037</u>	<u>56,986</u>	<u>53,397</u>	<u>49,962</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 578,767	\$ 523,894	\$ 503,392	\$ 477,531	\$ 499,442	\$ 482,806	\$ 458,373
Contributions as a percentage of covered payroll	15.41%	15.41%	14.41%	13.41%	11.41%	11.06%	10.90%

See Notes to Required Supplementary Information.
Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available

Town of Blackville, South Carolina
Notes to Required Supplementary Information
June 30, 2021

Note 1 - Budgets and Budgetary Accounting

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the Town Administrator to administer the budget and to transfer necessary appropriations among departments. Additional budget appropriations must be approved by Council.

A draft budget is prepared by the Accountant in conjunction with all department heads. The proposed budget is presented to the Town Council for review and approval. The Council holds public hearings and adopts the budget no later than June 30. An annual millage rate is established by the Town Council as part of the budget process. The Town's real and personal property taxes are assessed and collected by Barnwell County.

The appropriated budget is prepared by fund, function, and department. Town department heads may make transfers within their department budgets with the approval of Council. The legal level of budgetary control is the fund level. There were no budget amendments during the year.

Note 2 – Excess of Expenditures over Appropriations

For the year ended June 30, 2021, appropriations exceeded expenditures in the General Fund by \$105,032.

Town of Blackville, South Carolina
Notes to Required Supplementary Information
June 30, 2021

Note 3 - Net Pension Liability

The following table provides a summary for the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the SCRS plan:

	SCRS
Valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Asset valuation method	5-year smoothed
Amortization method	Level percent of payroll
Amortization Period as of the actuarial valuation date	30-year maximum, closed period
Inflation rate	2.25%
Salary increases	3.0% plus step-rate increases for members with less than 21 years of service.
Investment rate of return	7.25%
Mortality	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.
Comment on the development of the actuarially determined and actual contribution rate	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

Supplementary Information

TOWN OF BLACKVILLE, SOUTH CAROLINA
ATTACHMENT S
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)
FOR YEAR ENDED JUNE 30, 2021

FOR THE STATE TREASURER'S OFFICE:

MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT

Court Fines and Assessments:

Court fines and assessments collected	\$ 28,005
Court fines and assessments remitted to State Treasurer	15,457
Total Court Fines and Assessments retained	12,548

Surcharges and Assessments retained for victim services:

Surcharges collected and retained	550
Assessments retained	1,318
Total Surcharges and Assessments retained for victim services	1,868

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED

Carryforward from Previous Year - Beginning Balance	120,227
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Victim Service Revenue:

Victim Service Assessments Retained by Town	1,318
Victim Service Surcharges Retained by Town	550
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	122,095

Expenditures for Victim Service Program:

Salaries and Benefits	3,399
Operating Expenditures	2,820

Victim Service Donation(s):

Domestic Violence Shelter	2,500
Total Expenditures from Victim Service Fund/Program (B)	8,719

Total Victim Service Funds Retained by Town (A-B)	113,376
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Carryforward Funds - End of Year	\$ 113,376
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Government Auditing Standards Report



HIGHSMITH & HIGHSMITH, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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South Carolina Association of
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Member
American Institute of
Certified Public Accountants

**Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

To the Mayor and Members of Town Council
Town of Blackville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackville, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Blackville, South Carolina's basic financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Mayor and Members of Town Council
Town of Blackville, South Carolina

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blackville, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

April 29, 2022