

**TOWN OF LATTA, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2021**

**TOWN OF LATTA, SOUTH CAROLINA  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2021**

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**TOWN OF LATTA, SOUTH CAROLINA  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2021  
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February 23, 2023

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of Latta  
Latta, 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 Latta, 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 Latta, South Carolina'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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Latta, 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 budgetary comparison information, the schedule of the Town's proportionate share of the net pension liability, and the schedule of Town contributions on pages 39-41 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Latta, South Carolina's financial statements. The individual non-major fund financial statements and the uniform schedule of court fines, assessments and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements and the uniform schedule of court fines, assessments and surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Town of Latta, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Latta, South Carolina's internal control over financial reporting and compliance.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 409,698	\$ 418,069	\$ 827,767
Property Tax Receivable, Net	14,390	-	14,390
Wastewater Receivable, Net	-	48,285	48,285
Other Receivables, Net	321,884	-	321,884
Internal Balances	31,740	(31,740)	-
Prepaid Insurance	65,475	-	65,475
Restricted Assets - Non-Current	272,842	168,316	441,158
<b>Capital Assets:</b>			
Land	20,272	47,362	67,634
Construction in Process	-	2,460,135	2,460,135
Infrastructure	694,637	-	694,637
Buildings	303,254	-	303,254
Sewer Facilities and Equipment	-	7,429,233	7,429,233
Furniture and Equipment	695,597	-	695,597
Vehicles	425,749	-	425,749
Less: Accumulated Depreciation	(1,541,966)	(3,400,294)	(4,942,260)
Total Capital Assets, Net of Depreciation	<u>597,543</u>	<u>6,536,436</u>	<u>7,133,979</u>
<b>Deferred Outflows of Resources</b>			
Prepaid Pension Cost	<u>127,539</u>	<u>107,946</u>	<u>235,485</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>1,841,111</u>	<u>7,247,312</u>	<u>9,088,423</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	170,116	176,668	346,784
Deposits Held	2,324	65,076	67,400
<b>Long-Term Liabilities:</b>			
<b>Due Within One Year:</b>			
Notes Payable	-	12,861	12,861
General Obligation Bonds	23,332	-	23,332
Revenue Bonds	-	18,955	18,955
<b>Due in More Than One Year:</b>			
Compensated Absences	10,444	2,678	13,122
Notes Payable	-	2,376,457	2,376,457
General Obligation Bonds	104,289	-	104,289
Revenue Bonds	-	940,596	940,596
Net Pension Liability	<u>544,481</u>	<u>218,113</u>	<u>762,594</u>
<b>Total Liabilities</b>	<u>854,986</u>	<u>3,811,404</u>	<u>4,666,390</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Pension	<u>371,503</u>	<u>163,473</u>	<u>534,976</u>
<b>Total Deferred Inflows of Resources</b>	<u>371,503</u>	<u>163,473</u>	<u>534,976</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,226,489</u>	<u>3,974,877</u>	<u>5,201,366</u>
<b>Net Position</b>			
Net Investment in Capital Assets	469,922	3,187,567	3,657,489
<b>Restricted for:</b>			
Debt Service	-	55,412	55,412
Unrestricted	<u>144,700</u>	<u>29,456</u>	<u>174,156</u>
<b>Total Net Position</b>	<u>\$ 614,622</u>	<u>\$ 3,272,435</u>	<u>\$ 3,887,057</u>
	-	-	-

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2021**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 297,362	\$ 209,685	\$ 38,292	\$ -	\$ (49,385)	\$ -	\$ (49,385)
Public Safety	439,134	41,894	-	-	(397,240)	-	(397,240)
Recreation	79,572	46,372	-	-	(33,200)	-	(33,200)
Public Works	370,616	188,493	-	-	(182,123)	-	(182,123)
Non-Departmental	204,772	-	-	-	(204,772)	-	(204,772)
Capital Outlay	41,678	-	-	-	(41,678)	-	(41,678)
Interest	6,765	-	-	-	(6,765)	-	(6,765)
<b>Total Governmental Activities</b>	<b>1,439,899</b>	<b>486,444</b>	<b>38,292</b>	<b>-</b>	<b>(915,163)</b>	<b>-</b>	<b>(915,163)</b>
<b>Business-Type Activities</b>							
Water and Sewer	845,511	805,644	-	161,338	-	121,471	121,471
<b>Total Business-Type Activities</b>	<b>845,511</b>	<b>805,644</b>	<b>-</b>	<b>161,338</b>	<b>-</b>	<b>121,471</b>	<b>121,471</b>
<b>Total</b>	<b>\$ 2,285,410</b>	<b>\$ 1,292,088</b>	<b>\$ -</b>	<b>\$ 161,338</b>	<b>(915,163)</b>	<b>121,471</b>	<b>(793,692)</b>
General Revenues:							
Property Taxes					551,342	-	551,342
Franchise Fees					109,598	-	109,598
Miscellaneous					8,190	-	8,190
Unrestricted Investment Earnings					130	176	306
Intergovernmental					7,997	-	7,997
Gain on Disposition of Capital Assets					131,701	-	131,701
Transfers					80,241	(80,241)	-
<b>Total General Revenues</b>					<b>889,199</b>	<b>(80,065)</b>	<b>809,134</b>
<b>Change in Net Position</b>					<b>(25,964)</b>	<b>41,406</b>	<b>15,442</b>
<b>Net Position, Beginning of Year</b>					<b>640,586</b>	<b>3,231,029</b>	<b>3,871,615</b>
<b>Net Position, End of Year</b>					<b>\$ 614,622</b>	<b>\$ 3,272,435</b>	<b>\$ 3,887,057</b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 303,605	\$ 106,093	\$ 409,698
Receivables:			
Property Taxes, Net	14,390	-	14,390
Intergovernmental	280,785	-	280,785
Franchise Fees	3,445	-	3,445
Other	37,654	-	37,654
Due From Other Funds	32,511	-	32,511
Prepaid Insurance	65,475	-	65,475
Restricted Assets - Non-Current	<u>272,842</u>	<u>-</u>	<u>272,842</u>
<b>Total Assets</b>	<u>\$ 1,010,707</u>	<u>\$ 106,093</u>	<u>\$ 1,116,800</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Liabilities	\$ 170,116	\$ -	\$ 170,116
Deposits Held	-	2,324	2,324
Due To Other Funds	<u>-</u>	<u>771</u>	<u>771</u>
<b>Total Current Liabilities</b>	<u>170,116</u>	<u>3,095</u>	<u>173,211</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue - Property Taxes	9,185	-	9,185
Unavailable Revenue - Franchise Fees	77,799	-	77,799
Unavailable Revenue - Business Licenses	<u>15,306</u>	<u>-</u>	<u>15,306</u>
<b>Total Deferred Inflows of Resources</b>	<u>102,290</u>	<u>-</u>	<u>102,290</u>
<b>Fund Balances</b>			
Assigned	-	102,998	102,998
Nonspendable	65,475	-	65,475
Restricted	81,919	-	81,919
Unassigned	<u>590,907</u>	<u>-</u>	<u>590,907</u>
<b>Total Fund Balances</b>	<u>738,301</u>	<u>102,998</u>	<u>841,299</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,010,707</u>	<u>\$ 106,093</u>	<u>\$ 1,116,800</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

<b>Total Fund Balances - Governmental Funds (Exhibit C)</b>	<b>\$ 841,299</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$2,139,509 and the accumulated depreciation is \$1,541,966.	597,543
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Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Property Taxes	9,185
Franchise Fees	77,799
Business Licenses	15,306

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Compensated Absences	(10,444)
Bonds Payable	(127,621)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Pension liability	(544,481)

Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions (from pension schedule)	127,539
Deferred inflows of resources related to pensions (from pension schedule)	(371,503)

<b>Total Net Position - Governmental Activities (Exhibit A)</b>	<b>\$ <u>614,622</u></b>
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The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 554,970	\$ -	\$ 554,970
Fines, Fees, Licenses and Permits	567,793	-	567,793
Intergovernmental	23,523	-	23,523
Other	<u>200,259</u>	<u>1,843</u>	<u>202,102</u>
Total Revenues	<u>1,346,545</u>	<u>1,843</u>	<u>1,348,388</u>
<b>Expenditures</b>			
Current:			
General Government	244,691	-	244,691
Public Safety	488,681	-	488,681
Public Works	345,974	-	345,974
Recreation	74,281	-	74,281
Non-Departmental	195,077	9,695	204,772
Capital Outlay	123,129	-	123,129
Debt Service			
Principal	22,308	-	22,308
Interest	<u>6,765</u>	<u>-</u>	<u>6,765</u>
Total Expenditures	<u>1,500,906</u>	<u>9,695</u>	<u>1,510,601</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(154,361)</u>	<u>(7,852)</u>	<u>(162,213)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer to/from Water and Sewer Fund	<u>80,241</u>	<u>-</u>	<u>80,241</u>
Total Other Financing Sources (Uses)	<u>80,241</u>	<u>-</u>	<u>80,241</u>
Net Change in Fund Balances	(74,120)	(7,852)	(81,972)
Fund Balances, Beginning of Year	<u>812,421</u>	<u>110,850</u>	<u>923,271</u>
Fund Balances, End of Year	<u>\$ 738,301</u>	<u>\$ 102,998</u>	<u>\$ 841,299</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2021**

**Total Net Change In Fund Balances - Governmental Funds (Exhibit E)** \$ (81,972)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation of \$82,167 exceeds capital outlay of \$81,451 in the period. (716)

In the Statement of Activities, certain operating expenses - compensated absences - are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned exceeded the amount used by this amount. 8,177

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position. 22,308

Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

Property taxes	(19,155)
Franchise Fees	4,768
Rent	(308)

Governmental funds report town pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Town pension contributions	\$ 75,859
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)	(34,925)
	40,934

**Change in Net Position of Governmental Activities (Exhibit B)** \$ (25,964)

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2021**

	<b>Enterprise Fund Water and Sewer</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 418,069
Receivables:	
Water and Sewer, Net	48,285
Total Current Assets	466,354
Non-Current Assets:	
Restricted Cash	168,316
Capital Assets	
Land	47,362
Construction in Process	2,460,135
Sewer Facilities and Equipment	7,429,233
Less: Accumulated Depreciation	(3,400,294)
Total Non-Current Assets	6,704,752
<b>Deferred Outflows of Resources</b>	
Prepaid Pension Cost	107,946
<b>Total Assets and Deferred Outflows of Resources</b>	<b>7,279,052</b>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	176,668
Deposits Held	65,076
Due to General Fund	31,740
Current Portion of Notes Payable	12,861
Current Portion of Revenue Bonds	18,955
Long-Term Liabilities	
Notes Payable	2,376,457
Compensated Absences	2,678
Revenue Bonds	940,596
Net Pension Liability	218,113
<b>Total Liabilities</b>	<b>3,843,144</b>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue - Pension	163,473
<b>Net Position</b>	
Net Investment in Capital Assets	3,187,567
Restricted for Debt Service	55,412
Unrestricted	29,456
<b>Total Net Position</b>	<b>\$ 3,272,435</b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Enterprise Fund Water and Sewer</b>
<b>Operating Revenues:</b>	
Water Fees	\$ 374,693
Sewer Fees	409,512
Penalties and Reconnection Fees	21,439
Total Operating Revenues	805,644
<b>Operating Expenses:</b>	
Salaries	68,977
Employee Expenses	3,654
Materials and Supplies	31,851
Utilities	14,264
Repairs and Maintenance	440,088
Professional Fees	15,067
Depreciation	181,953
Other	43,305
Total Operating Expenses	799,159
<b>Operating Income</b>	6,485
<b>Non-Operating Revenues (Expenses):</b>	
Interest Expense	(46,352)
Interest Income	176
Transfer to/from General Fund	(80,241)
<b>Total Non-Operating Revenues (Expenses)</b>	(126,417)
<b>Capital Contributions - Capital Grant Revenue</b>	161,338
<b>Change in Net Position</b>	41,406
<b>Total Net Position, Beginning of Year</b>	3,231,029
<b>Total Net Position, End of Year</b>	\$ 3,272,435

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 810,699
Cash Paid to Suppliers	(675,485)
Cash Paid to Employees	<u>(67,838)</u>
Net Cash Provided By Operating Activities	<u>67,376</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Decrease in Due To General Fund	1,814
Interest Income	176
Operating Transfers from Other Funds	<u>(80,241)</u>
Net Cash (Used) By Noncapital Financing Activities	<u>(78,251)</u>
<b>Cash Flows From Capital and Finance Related Activities:</b>	
Interest Paid on Capital Debt	(46,352)
Principal Paid on Capital Debt	(30,809)
Capital Contributions	161,338
Issuance of New Debt	2,363,210
Purchases of Capital Assets	<u>(2,270,130)</u>
Net Cash Provided By Investing Activities	<u>177,257</u>
<b>Net Increase in Cash</b>	<b>166,382</b>
Cash, Beginning of Year	<u>420,003</u>
Cash, End of Year	<u>\$ 586,385</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	<u>\$ 6,485</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	181,953
Decrease in Receivables	5,055
Decrease in Deferred Outflows	21,803
Increase in Accounts Payable and Accrued Liabilities	(106,028)
Decrease in Compensated Absences	1,139
Decrease in Net Pension Liability	(64,621)
Increase in Deferred Inflows	<u>21,590</u>
Total Adjustments	<u>60,891</u>
Net Cash Provided By Operating Activities	<u>\$ 67,376</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**B. Basis of Presentation (continued)**

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect cost.

*Fund Financial Statements:*

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described below:

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund is the Town's only major governmental fund.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**B. Basis of Presentation (continued)**

*General Fund*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general administration and the traditional services provided by the Town are paid through the General Fund.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Park Fund, Community Center, Capital Projects, Housing Projects and Victims' Rights Fund.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Town's proprietary fund:

*Enterprise Fund*

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Water and Sewer Fund is the Town's only enterprise fund and is used to account for the financial transactions related to the sewer service provided to the residents of the Town.

**Fiduciary Fund**

Fiduciary Fund reporting focuses on net position and changes in net position. The Town does not have any Fiduciary Funds.

**C. Measurement Focus and Basis of Accounting**

*Measurement Focus*

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

- Note 1. Summary of Significant Accounting Policies (continued)**
- C. Measurement Focus and Basis of Accounting (continued)**

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Town finances and meets the cash flow of its proprietary fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

*Basis of Accounting*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Items such as property taxes, vehicle taxes, intergovernmental revenues, grants, franchise fees and garbage fees are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**C. Measurement Focus and Basis of Accounting (continued)**

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. Cash, Cash Equivalents and Investments**

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

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts in demand deposits, and certificates of deposits.

*Investments*

Investment policies of the Town must operate within existing state statutes of the State of South Carolina, which authorizes what the Town may and may not invest in. State statutes authorize the Town to invest in obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the federal government, certificates of deposit where the certificates are collaterally secured by securities of the type they described above, or deposit accounts with banking institutions. Statutes also allow the State Treasurer to assist local governments in investing funds. The Town is under no contractual agreements which restrict investment alternatives or violate legal provisions.

During the year, the Town held an investment in the South Carolina Pooled Investment Fund (the "Pool"). The investment is invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**E. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable. Major receivable balances for the governmental activities include property taxes, grants, and intergovernmental revenues. Business-type activities report water and sewer revenues as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for Federal and State revenue if they are both measurable and available. Non-exchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Water and Sewer receivables compose the majority of proprietary fund receivables. All trade and property tax receivables are recorded net of any allowances for uncollectibles.

**F. Short-term Interfund Receivables/Payable**

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 fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

**G. Capital Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2003. The Town maintains a capitalization policy of \$1,000 for furniture and fixtures, machinery and equipment and vehicles, \$2,500 for buildings and \$50,000 for infrastructure construction. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Infrastructure assets have not been retroactively reported. However, the financial statements include infrastructure fixed assets beginning with the implementation of GASB 34.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**G. Capital Assets (continued)**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Infrastructure	30 years
Buildings	25-30 years
Distribution Lines	40-50 years
Furniture and Equipment	3-10 years
Vehicles	3-5 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**H. Compensated Absences**

Employee vacation is determined by years of service with the Town. Vacation time may accumulate and does not have to be taken in the year earned. Any current unused vacation is paid upon retirement or termination. As of June 30, 2021, the Town has accrued \$13,122 in compensated absences. Employees are not paid for accumulated sick leave upon retirement or termination. No liability has been accrued in the financial statements for accumulated sick leave.

**I. Equity Classifications**

*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.

c. Unrestricted net position. This consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**I. Equity Classifications (continued)**

*Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned—All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

**J. Interfund Transactions**

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**K. Operating and Non-operating Revenues**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those, which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**M. Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**N. Capital Contributions**

Contributions of capital on enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, or grants or outside contributions of resources restricted to capital acquisition and construction.

**O. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

**P. Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Q. Statement of Cash Flows**

For the purpose of the statement of cash flows, the Town's proprietary fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**Q. Statement of Cash Flows (continued)**

investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits.

**R. Deferred Outflows/Inflows of Resources**

In addition to assets, The Town reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The Town only has one item that qualified for reporting in this category. It is prepaid cost related to the GASB 68 pension liability.

In addition to liabilities, The Town reports deferred inflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The Town has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grant revenue are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

**S. 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 System (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. Investments are reported at fair value.

**Note 2. Property Taxes**

Real property taxes are levied on October 1 on the assessed valuations of property located in Dillon County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2-March 16	10% of tax
March 17 and thereafter	15 % of tax plus collection costs

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 5. Capital Assets**

Capital Asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending</u>
<i>Governmental Activities</i>					
Non-depreciable assets:					
Land	\$ 20,272	\$ -	\$ -	\$ -	\$ 20,272
Depreciable assets:					
Buildings and Improvements	303,254	-	-	-	303,254
Infrastructure	694,637	-	-	-	694,637
Furniture and Equipment	614,146	81,451	-	-	695,597
Vehicles	425,749	-	-	-	425,749
Totals	<u>2,058,058</u>	<u>81,451</u>	<u>-</u>	<u>-</u>	<u>2,139,509</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(188,962)	(6,051)	-	-	(195,013)
Infrastructure	(429,568)	(13,021)	-	-	(442,589)
Furniture and Equipment	(461,261)	(45,174)	-	-	(506,435)
Vehicles	(380,008)	(17,921)	-	-	(397,929)
Totals	<u>(1,459,799)</u>	<u>(82,167)</u>	<u>-</u>	<u>-</u>	<u>(1,541,966)</u>
Governmental Activities Capital Assets, Net	<u>\$ 598,259</u>	<u>\$ (716)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,543</u>
<i>Business-type Activities</i>					
Non-depreciable assets:					
Land	\$ 47,362	\$ -	\$ -	\$ -	\$ 47,362
Construction in Process	823,325	2,270,130	(633,320)	-	2,460,135
Depreciable assets:					
Equipment	673,815	-	-	-	673,815
Vehicles	99,667	-	-	-	99,667
Buildings	2,221,677	-	-	-	2,221,677
Sewer System	3,800,754	-	633,320	-	4,434,074
Totals	<u>7,666,600</u>	<u>2,270,130</u>	<u>-</u>	<u>-</u>	<u>9,936,730</u>
Less: Accumulated Depreciation					
Equipment	(499,199)	(21,019)	-	-	(520,218)
Vehicles	(88,834)	(10,000)	-	-	(98,834)
Buildings	(572,043)	(53,848)	-	-	(625,891)
Sewer System	(2,058,265)	(97,086)	-	-	(2,155,351)
Totals	<u>(3,218,341)</u>	<u>(181,953)</u>	<u>-</u>	<u>-</u>	<u>(3,400,294)</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,448,259</u>	<u>\$ 2,088,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,536,436</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 5. Capital Assets (continued)**

Depreciation expense to governmental activities was charged to functions as follows:

General Government	\$ 15,747
Public Safety	33,907
Recreation	27,733
Streets and Sanitation	<u>4,780</u>
Total	<u>\$ 82,167</u>

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2021:

	Expenditures To Date	Total Contract	Contract Payments Remaining
Business-type Activities			
RD Project	\$ 2,396,311	Unknown	\$ -
RD Project - Tank	<u>63,824</u>	Unknown	<u>-</u>
	<u>\$ 2,460,135</u>		<u>\$ -</u>

**Note 6. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2021, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ <u>31,740</u>

The General Fund receivable is the result of the sanitation fees collected by water and sewer fund.

**Note 7. Long-Term Debt**

*Governmental Activities:*

As of June 30, 2021, the governmental long-term debt consisted general obligation bond and compensated absences.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 7. Long-Term Debt (continued)**

*General Obligation Bonds*

In 2015, the Town issued Series 2015 General Obligation Bond totaling \$230,000, with annual principal and interest payments due each September. The bond matures September 2025.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
<u>June 30,</u>	<u>          </u>	<u>          </u>	<u>          </u>
2022	23,332	5,741	29,073
2023	<u>104,289</u>	<u>11,980</u>	<u>116,269</u>
	<u>\$ 127,601</u>	<u>\$ 17,721</u>	<u>\$ 145,322</u>

*Business-type Activities:*

*Notes Payable*

In May 2000, the Town obtained an SIRC note totaling \$370,000 with principal and interest payments due annually. The note bears interest at 3.00% and secured by the water and sewer revenues.

In October 2020, the Town obtained financing from CoBank in the amount of \$2,900,000 to fund the Highway 301 Water Project. The loan was obtained so the Town could pay for the work and then submit invoices to be reimbursed by the USDA as a grant. The terms of the loan are monthly interest amounts with the principal payment due October 2022.

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year Ending	Principal	Interest	Total
<u>June 30,</u>	<u>          </u>	<u>          </u>	<u>          </u>
2022	12,861	38,585	51,446
2023	<u>2,376,457</u>	<u>12,910</u>	<u>2,389,367</u>
Totals	<u>\$ 2,389,318</u>	<u>\$ 51,495</u>	<u>\$ 2,440,813</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 7. Long-Term Debt (continued)**

*Revenue Bonds*

In 2011, the Town issued Series 2011 Water and Sewer System Bond totaling \$1,119,400, with monthly principal and interest payments due monthly. The bond matures September 2051 and bears interest at 3.375%.

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	18,955	32,093	51,048
2023	19,605	31,443	51,048
2024	20,277	30,771	51,048
2025	20,972	30,076	51,048
2026	21,690	29,358	51,048
2027-2031	120,128	135,112	255,240
2032-2036	142,176	113,064	255,240
2037-2041	168,272	86,968	255,240
2042-2046	199,157	56,083	255,240
2047-2051	<u>228,319</u>	<u>19,537</u>	<u>247,856</u>
Totals	<u>\$ 959,551</u>	<u>\$ 564,505</u>	<u>\$ 1,524,056</u>

The following is a summary of changes in long-term obligations of the Town as of June 30, 2021:

Governmental Activities:	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 18,621	\$ 10,444	\$ 18,621	\$ 10,444	\$ -
2015 Series Go Bond	149,929	-	22,308	127,621	23,332
Net Pension Liability	<u>841,825</u>	<u>-</u>	<u>297,344</u>	<u>544,481</u>	<u>-</u>
	<u>\$ 1,010,375</u>	<u>\$ 10,444</u>	<u>\$ 338,273</u>	<u>\$ 682,546</u>	<u>\$ 23,332</u>
Business-Type Activities:					
Compensated Absences	\$ 1,539	\$ 1,139	\$ -	\$ 2,678	\$ -
Notes Payable	38,592	2,363,210	12,484	2,389,318	12,861
Net Pension Liability	282,734	-	64,621	218,113	-
Revenue Bonds	<u>977,876</u>	<u>-</u>	<u>18,325</u>	<u>959,551</u>	<u>18,955</u>
	<u>\$ 1,300,741</u>	<u>\$ 2,364,349</u>	<u>\$ 95,430</u>	<u>\$ 3,569,660</u>	<u>\$ 31,816</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems**

*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 South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

*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.

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

*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 the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

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.

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

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

*Contributions-* 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 and PORS 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 and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS 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

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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 for the fiscal year are as follows:

<b>SCRS</b>	<b><u>Fiscal Year 2021</u></b>	<b><u>Fiscal Year 2020</u></b>
Employee Class Two	9.00% of earnable compensation	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation	9.00% of earnable compensation
<b>PORS</b>		
Employee Class Two	9.75% of earnable compensation	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation	9.75% of earnable compensation

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

Required employer contributions for the fiscal year are as follows:

<b>SCRS</b>	<b><u>Fiscal Year 2021</u></b>	<b><u>Fiscal Year 2020</u></b>
Employee Class Two	15.41% of earnable compensation	15.41% of earnable compensation
Employee Class Three	15.41% of earnable compensation	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation	0.15% of earnable compensation
 <b>PORS</b>		
Employee Class Two	17.84% of earnable compensation	17.84% of earnable compensation
Employee Class Three	17.84% of earnable compensation	17.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation	0.20% of earnable compensation

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2021, the Town reported a liability of \$389,473 for the SCRS and \$373,121 for the PORS for a total of \$762,594 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 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 proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2020, the Town's proportion was .001524 percent for the SCRS, which is a decrease of .001377% from its proportion measured as of June 30, 2019. At June 30, 2020, the Town's proportion was .01125 percent for the PORS, which is a decrease of .004874 percent from its proportion measured as of June 30, 2019.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

For the year ended June 30, 2021, the Town recognized pension benefit of \$149,000. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,424	\$ 3,115
Changes of assumptions	5,030	-
Net difference between projected and actual earnings on pension plan investments	66,855	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	75,317	531,861
Town contributions subsequent to measurement date	<u>75,859</u>	<u>-</u>
Total	<u>\$ 235,485</u>	<u>\$ 534,976</u>

The Town's contributions subsequent to the measurement date of \$75,859 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2022	\$ (183,990)	\$ (28,866)	\$ (212,856)
2023	(67,520)	(24,221)	(91,741)
2024	(65,649)	(16,784)	(82,433)
2025	<u>7,310</u>	<u>4,368</u>	<u>11,678</u>
Total	<u>\$ (309,849)</u>	<u>\$ (65,503)</u>	<u>\$ (375,352)</u>

*Actuarial Assumptions and Methods-* Actuarial valuations of the ongoing 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 as of June 30, 2015.

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 LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return <sup>2</sup>	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) <sup>2</sup>	3.5% to 9.5% (varies by service) <sup>2</sup>
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
<sup>2</sup> 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.

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

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%

*Net Pension Liability* – 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 and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' 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 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

*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.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

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 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.

<u>Allocation / Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity <sup>1,2</sup>	35.0%	7.81%	2.73%
Private Equity <sup>2,3</sup>	9.0%	8.91%	0.80%
Equity Options Strategies <sup>1</sup>	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private) <sup>2,3</sup>	8.0%	5.55%	0.44%
Real Estate (REITs) <sup>2</sup>	1.0%	7.78%	0.08%
Infrastructure (Private) <sup>2,3</sup>	2.0%	4.88%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation <sup>1</sup>	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/ Bank Loans <sup>1,2</sup>	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt <sup>2,3</sup>	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income <sup>1</sup>	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
<b>Total Expected Return<sup>4</sup></b>	<b>100.0%</b>		<b>5.80%</b>
<b>Inflation for Actuarial Purposes</b>			<b>2.25%</b>
			<b>8.05%</b>

<sup>1</sup> Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

<sup>2</sup> The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

<sup>3</sup> RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>4</sup> The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

*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.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 8. Employee Retirement Systems (continued)**

<b>System</b>	<b>1% Decrease</b> <b><u>(6.25%)</u></b>	<b>Discount Rate</b> <b><u>(7.25%)</u></b>	<b>1% Increase</b> <b><u>(8.25%)</u></b>
<b>SCRS</b>	\$ 482,704	\$ 389,473	\$ 311,624
<b>PORS</b>	\$ 493,950	\$ 373,121	\$ 276,104

*Pension Plan Fiduciary Net Position-* Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2020, (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2020.

*Payables to the Pension Plan-* The Town reported a payable to the SCRS as of June 30, 2021, in the amount of \$12,014.

**Note 9. Commitments and Contingencies**

The Town participates in a number of federal and state assisted grant programs that are governed by various rules and regulations. These programs are subject to program compliance audits by the grantor or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be predicted, although the Town expects such amounts, if any, to be immaterial. Therefore, no provision has been recorded in the accompanying government-wide and fund financial statements for such contingencies.

**Note 10. Insurance and Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains its insurance for tort liability, property, automobile fleet, broiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The Town pays an annual premium to SCMIRF and SCMIT. The Town carries a \$10,000 deductible under the SCMIRF plan and a \$10,000 deductible under the SCMIT plan. Claims below these thresholds are managed by the Town. The SCMIRF will reinsure through commercial companies for claims in excess of \$1 million for each insured event. If the Town's losses under SCMIT exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the Town receives a refund.

**Note 11. Housing Project Funds**

The Town of Latta, South Carolina participated in a Home Ownership Program with a Community Development Grant provided through the South Carolina Department of Commerce.

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 11. Housing Project Funds (continued)**

The program has a balance of \$106,097 received from repayment of loans. The Office of Community Grant Programs of the South Carolina Department of commerce was contacted with respect to the disposition of the remaining funds. The Office of Community Grant Programs has not given a definitive response on this matter.

**Note 12. Intergovernmental Revenues**

The Town receives funds from both the State of South Carolina and the federal government for various grants and projects. In addition, the Town receives state shared revenue from the State of State Carolina including local option sales tax. Due to noncompliance with auditing requirements set forth by the State Revenue Department the Town did not receive any revenues from the state.

This has been recorded as a receivable of \$277,252 as of June 30, 2021.

**Note 13. Inter-fund Transfers**

Transfers from (to) other funds for the year ended June 30, 2021, consist of the following:

<i>General Fund</i>		<i>Water and Sewer Fund</i>	
Transfer from Water and Sewer Fund	<u>\$ 80,241</u>	Transfer to General Fund	<u>\$ (80,241)</u>
Total	<u>\$ 80,241</u>	Total	<u>\$ (80,241)</u>

**Note 14. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan (“401(k) Plan”), a defined contribution plan. The 401(k) Deferred Compensation Plan is administered by the South Carolina Deferred Compensation Commission (“Commission”). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. The Town did not have any employees participating in the 401(k) Plan as of June 30, 2021.

**Note 15. Subsequent Events**

The Town has evaluated subsequent events through February 23, 2023, the date which the financial statements were available to be issued.

## General Fund

The General Fund is the major operating fund of the Town and is used to account for resources traditionally associated with government which are not required legally or by the sound financial management to be accounted for in another fund.

**TOWN OF LATTA, SOUTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Taxes</b>			
Local Option Sales Tax	\$ 150,000	\$ 93,803	\$ (56,197)
Real Property	220,000	365,752	145,752
Vehicles	43,000	68,668	25,668
Penalties	500	-	(500)
Hospitality Tax	<u>25,000</u>	<u>26,747</u>	<u>1,747</u>
Subtotal	<u>438,500</u>	<u>554,970</u>	<u>116,470</u>
<b>Fines, Fees, Licenses and Permits</b>			
Police Fines	48,200	41,894	(6,306)
Recreation	64,120	46,372	(17,748)
Business License and Penalties	115,500	186,204	70,704
Garbage Fees	200,000	188,493	(11,507)
Telecommunications	<u>100,000</u>	<u>104,830</u>	<u>4,830</u>
Subtotal	<u>527,820</u>	<u>567,793</u>	<u>39,973</u>
<b>Intergovernmental</b>			
State Government Revenue	15,000	7,997	(7,003)
Accommodations Tax	<u>25,000</u>	<u>15,526</u>	<u>(9,474)</u>
Subtotal	<u>40,000</u>	<u>23,523</u>	<u>(16,477)</u>
<b>Other</b>			
Interest	-	77	77
Insurance Proceeds	-	131,701	131,701
Rent	12,200	22,000	9,800
Grants	-	38,292	38,292
Miscellaneous	<u>23,000</u>	<u>8,189</u>	<u>(14,811)</u>
Subtotal	<u>35,200</u>	<u>200,259</u>	<u>165,059</u>
<b>Total Revenues</b>	<u>1,041,520</u>	<u>1,346,545</u>	<u>305,025</u>

**TOWN OF LATTA, SOUTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2021  
(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
Current:			
General Government Administration	\$ 82,611	\$ 244,691	\$ (162,080)
Public Safety	489,709	488,681	1,028
Public Works	272,300	345,974	(73,674)
Recreation	92,550	74,281	18,269
Non-Departmental	78,850	195,077	(116,227)
Capital Outlay	25,500	123,129	(97,629)
Debt Service			
Principal	-	22,308	(22,308)
Interest	-	6,765	(6,765)
Total Expenditures	1,041,520	1,500,906	(459,386)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	(154,361)	(154,361)
<b>Other Financing Sources (Uses):</b>			
Transfer to/from Water and Sewer Fund	-	80,241	80,241
Total Other Financing Sources (Uses)	-	80,241	80,241
<b>Net Change in Fund Balance</b>	\$ -	(74,120)	\$ (74,120)
<b>Fund Balance, Beginning of Year</b>		812,421	
<b>Fund Balance, End of Year</b>		\$ 738,301	

**TOWN OF LATTA, SOUTH CAROLINA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 438,500	\$ 438,500	\$ 554,970	\$ 116,470
Fines, Fees, Licenses and Permits	527,820	527,820	567,793	39,973
Intergovernmental	40,000	40,000	23,523	(16,477)
Other	<u>35,200</u>	<u>35,200</u>	<u>200,259</u>	<u>165,059</u>
 Total Revenues	 <u>1,041,520</u>	 <u>1,041,520</u>	 <u>1,346,545</u>	 <u>305,025</u>
<b>Expenditures</b>				
Current:				
General Government Administration	82,611	82,611	244,691	(162,080)
Public Safety	489,709	489,709	488,681	1,028
Public Works	272,300	272,300	345,974	(73,674)
Recreation	92,550	92,550	74,281	18,269
Non-Departmental	78,850	78,850	195,077	(116,227)
Capital Outlay	25,500	25,500	123,129	(97,629)
Debt Service				
Principal	-	-	22,308	(22,308)
Interest	<u>-</u>	<u>-</u>	<u>6,765</u>	<u>(6,765)</u>
 Total Expenditures	 <u>1,041,520</u>	 <u>1,041,520</u>	 <u>1,500,906</u>	 <u>(459,386)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	 <u>-</u>	 <u>-</u>	 <u>(154,361)</u>	 <u>(154,361)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to/from Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>80,241</u>	<u>80,241</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>80,241</u>	<u>80,241</u>
<b>Net Change in Fund Balance</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(74,120)</u>	 <u>\$ (74,120)</u>
<b>Fund Balance, Beginning of Year</b>			<u>812,421</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 738,301</u>	

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**

For the Fiscal 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>	<u>2014</u>
<b>SCRS</b>								
Town's proportion of the net pension liability (asset)	0.0015240%	0.0029010%	0.0026880%	0.0053470%	0.0025930%	0.0030230%	0.0041140%	0.00%
Town's proportionate share of the net pension liability (asset)	\$ 389,473	\$ 662,466	\$ 602,281	\$ 1,203,696	\$ 553,861	\$ 573,327	\$ 708,294	\$ -
Town's covered employee payroll	\$ 231,979	\$ 265,437	\$ 306,359	\$ 269,830	\$ 351,053	\$ 370,674	\$ 355,083	\$ -
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	167.89%	249.58%	196.59%	446.09%	157.77%	154.67%	199.47%	0.00%
Plan fiduciary net position as a percentage of total pension liability	50.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>PORS</b>								
Town's proportion of the net pension liability (asset)	0.011250%	0.016124%	0.014448%	0.022420%	0.014620%	0.019810%	0.025180%	
Town's proportionate share of the net pension liability (asset)	\$ 373,121	\$ 462,093	\$ 409,400	\$ 614,237	\$ 370,782	\$ 431,780	\$ 481,995	
Town's covered employee payroll	\$ 217,997	\$ 249,651	\$ 234,022	\$ 201,019	\$ 196,051	\$ 240,170	\$ 312,535	
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.16%	185.10%	174.94%	305.56%	189.13%	179.78%	154.22%	
Plan fiduciary net position as a percentage of total pension liability	58.79%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF TOWN'S CONTRIBUTIONS**  
**For the Fiscal 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>	<u>2014</u>
Contractually required contribution	\$ 75,859	\$ 83,261	\$ 82,839	\$ 65,580	\$ 68,500	\$ 72,479	\$ 79,065	\$ 78,471
Contributions in relation to contractually required contribution	(75,859)	(83,261)	(82,839)	(65,580)	(68,500)	(72,479)	(79,065)	(78,471)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 449,976	\$ 515,088	\$ 540,381	\$ 470,849	\$ 547,104	\$ 610,844	\$ 667,618	\$ 676,300
Contributions as a percentage of covered-employee payroll	16.86%	16.16%	15.33%	13.93%	12.52%	11.87%	11.84%	11.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

**TOWN OF LATTA, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2021**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund and the Wastewater Fund. All annual appropriations lapse at fiscal year-end.

The Town does not use encumbrance accounting due to the size of operations involved.

**B. Legal Compliance – Budgets**

The Finance Committee, composed of three members of the Town Council, submits to Town Council an operating budget. The budget includes proposed expenditures and the means for financing them. The budget is prepared by fund, object and activity. Public meetings are held to obtain additional comments from interested individual taxpayers. The fiscal year of the Town begins each July 1, and the Council adopts the tentative budget for the coming year. The budget is legally adopted after majority approval by Town Council in two consecutive readings.

During the fiscal year ending June 30, 2021, General Government Administration, Public Works, Non-Departmental, Capital Outlay, and Debt Service exceeded budgeted amounts.

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**GENERAL GOVERNMENT**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>General Government</b>			
Salaries	\$ 28,100	\$ 23,885	\$ 4,215
Employee Expenses	19,011	(4,164)	23,175
Material and Supplies	2,500	2,960	(460)
Repairs	3,500	502	2,998
Computer Expenses	3,500	2,830	670
Banking Fees	-	1,284	(1,284)
Utilities	5,000	91,466	(86,466)
Telephone	2,000	3,739	(1,739)
Professional Fees	14,000	56,305	(42,305)
Travel and Training	3,000	683	2,317
Capital Outlay	2,000	-	2,000
Other	<u>2,000</u>	<u>65,201</u>	<u>(63,201)</u>
<b>Total General Government Expenditures</b>	<u>\$ 84,611</u>	<u>\$ 244,691</u>	<u>\$ (160,080)</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**PUBLIC SAFETY**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Police Department</b>			
Salaries	\$ 308,000	\$ 284,703	\$ 23,297
Employee Expenses	116,659	126,498	(9,839)
Materials and Supplies	2,200	10,492	(8,292)
Insurance	7,500	-	7,500
Vehicle Repairs	10,000	23,655	(13,655)
Gas, Oil and Grease	20,000	351	19,649
Telephone	1,500	300	1,200
Repairs	7,700	2,019	5,681
Radio Maintenance	4,550	5,446	(896)
Uniforms	2,500	2,648	(148)
Capital Outlay	18,500	38,178	(19,678)
Travel and Training	5,600	2,243	3,357
Other	1,000	26,926	(25,926)
Court Cost	1,000	2,356	(1,356)
Sub-Total	<u>506,709</u>	<u>525,815</u>	<u>(19,106)</u>
<b>Fire Department</b>			
Telephone	-	1,044	(1,044)
Repairs and Maintenance	1,500	-	1,500
Sub-Total	<u>1,500</u>	<u>1,044</u>	<u>456</u>
<b>Total Public Safety Expenditures</b>	<u>\$ 508,209</u>	<u>\$ 526,859</u>	<u>\$ (18,650)</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**PUBLIC WORKS**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Public Works</b>			
Salaries	\$ 130,000	\$ 142,574	\$ (12,574)
Employee Expenses	32,500	55,612	(23,112)
Insurance	3,800	-	3,800
Uniforms	2,500	13,619	(11,119)
Vehicle Repairs	8,000	11,248	(3,248)
Gas, Oil and Grease	12,000	916	11,084
Utilities	38,000	380	37,620
Repairs	10,000	48,056	(38,056)
Materials and Supplies	-	36,243	(36,243)
Solid Waste Disposal	35,000	37,166	(2,166)
Capital Outlay	5,000	84,951	(79,951)
Other	500	160	340
	<u>500</u>	<u>160</u>	<u>340</u>
<b>Total Public Works Expenditures</b>	<u>\$ 277,300</u>	<u>\$ 430,925</u>	<u>\$ (153,625)</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**RECREATION**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Recreation Department</b>			
Salaries	\$ 27,000	\$ 30,260	\$ (3,260)
Employee Expenses	5,800	11,492	(5,692)
Program Expenses	<u>59,750</u>	<u>32,529</u>	<u>27,221</u>
<b>Total Recreation Expenditures</b>	<u>\$ 92,550</u>	<u>\$ 74,281</u>	<u>\$ 18,269</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**NON-DEPARTMENTAL**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Non-Departmental</b>			
Materials and Supplies	\$ 3,600	\$ 8,403	\$ (4,803)
Miscellaneous	20,250	64,328	(44,078)
Repairs and Maintenance	15,000	10,073	4,927
Insurance	<u>40,000</u>	<u>112,273</u>	<u>(72,273)</u>
<b>Total Non-Departmental Expenditures</b>	<u>\$ 78,850</u>	<u>\$ 195,077</u>	<u>\$ (116,227)</u>

### Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Town utilizes the following special revenue funds listed below:

Community Center Fund  
Housing Project Fund

**TOWN OF LATTA, SOUTH CAROLINA  
BALANCE SHEET  
SPECIAL REVENUE FUNDS  
June 30, 2021**

	Community Center	Housing Project	Total Special Revenue Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ (110)	\$ 106,203	\$ 106,093
<b>TOTAL ASSETS</b>	<u>\$ (110)</u>	<u>\$ 106,203</u>	<u>\$ 106,093</u>
<b>Liabilities and Deferred Inflow of Resources</b>			
Accounts Payable	\$ -	\$ -	\$ -
Deposits Held	2,324	-	2,324
Due to General Fund	<u>771</u>	<u>-</u>	<u>771</u>
Total Current Liabilities	<u>3,095</u>	<u>-</u>	<u>3,095</u>
Deferred Inflow of Resources:			
Rental Income	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Assigned	<u>(3,205)</u>	<u>106,203</u>	<u>102,998</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ (110)</u>	<u>\$ 106,203</u>	<u>\$ 106,093</u>

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Community Center</u>	<u>Housing Project</u>	<u>Total Special Revenue Funds</u>
<b>Revenues:</b>			
Rental Income	\$ 1,790	\$ -	\$ 1,790
Other Income	<u>-</u>	<u>53</u>	<u>53</u>
 Total Revenues	 <u>1,790</u>	 <u>53</u>	 <u>1,843</u>
<b>Expenditures:</b>			
Utilities	1,977	-	1,977
Other Expenses	<u>7,718</u>	<u>-</u>	<u>7,718</u>
 Total Expenditures	 <u>9,695</u>	 <u>-</u>	 <u>9,695</u>
 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	 <u>(7,905)</u>	 <u>53</u>	 <u>(7,852)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to/from General Fund	-	-	-
Transfer to/from Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Net Change in Fund Balances</b>	 <u>(7,905)</u>	 <u>53</u>	 <u>(7,852)</u>
Assigned Fund Balances, Beginning of Year	<u>4,700</u>	<u>106,150</u>	<u>110,850</u>
Assigned Fund Balances, End of Year	<u>\$ (3,205)</u>	<u>\$ 106,203</u>	<u>\$ 102,998</u>

## Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. The Town of Latta has one Enterprise Fund described below:

Water and Sewer Fund - This fund is used to account for all financial resources associated with furnishing sewer service to domestic and industrial users.

**TOWN OF LATTA, SOUTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Operating Revenues:</b>			
Water Fees	\$ 407,000	\$ 374,693	\$ (32,307)
Sewer Fees	394,000	409,512	15,512
Penalties and Reconnection Fees	<u>13,250</u>	<u>21,439</u>	<u>8,189</u>
 Total Operating Revenues	 <u>814,250</u>	 <u>805,644</u>	 <u>(8,606)</u>
<b>Operating Expenses:</b>			
Salaries	43,000	68,977	(25,977)
Employee Expenses	17,545	3,654	13,891
Materials and Supplies	71,500	31,851	39,649
Utilities	-	14,264	(14,264)
Repairs and Maintenance	409,000	440,088	(31,088)
Professional Fees	43,000	15,067	27,933
Depreciation	-	181,953	(181,953)
Other	<u>104,000</u>	<u>43,305</u>	<u>60,695</u>
 Total Operating Expenses	 <u>688,045</u>	 <u>799,159</u>	 <u>(111,114)</u>
<b>Operating Income</b>	<u>126,205</u>	<u>6,485</u>	<u>(119,720)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest Expense	-	(46,352)	(46,352)
Interest Income	1,600	176	(1,424)
Contingency Funding	(126,920)	-	126,920
Transfer to/from General Fund	<u>-</u>	<u>(80,241)</u>	<u>(80,241)</u>
 Total Non-Operating Revenues (Expenses)	 <u>(125,320)</u>	 <u>(126,417)</u>	 <u>(1,097)</u>
<b>Capital Contributions - Capital Grant Revenue</b>	<u>-</u>	<u>161,338</u>	<u>161,338</u>
<b>Change in Net Position</b>	<u>\$ 885</u>	41,406	<u>\$ (120,817)</u>
<b>Total Net Position, Beginning of Year</b>		<u>3,231,029</u>	
<b>Total Net Position, End of Year</b>		<u>\$ 3,272,435</u>	

**TOWN OF LATTA, SOUTH CAROLINA**  
**VICTIM'S ASSISTANCE**  
**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES**  
**For the Fiscal Year Ended June 30, 2021**

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	-	-	77,565	-
Court fines and assessments remitted to State Treasurer	-	-	38,687	-
<b>Total Court Fines and Assessments retained</b>	-	-	38,878	-
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	-	-	13,750	-
Assessments retained	-	-	1,973	-
<b>Total Surcharges and Assessments retained for victim services</b>	-	-	11,777	-

**FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)**

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
<b>Carryforward from Previous Year – Beginning Balance</b>	14,468	-	14,468
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	4,486	-	4,486
Victim Service Surcharges Retained by City/County Treasurer	1,973	-	1,973
Interest Earned	-	-	-
Grant Funds Received			
Grant from:	-	-	-
General Funds Transferred to Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	20,927	-	20,927
<b>Expenditures for Victim Service Program:</b>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	-	-	-
Operating Expenditures	-	-	-
<b>Victim Service Contract(s):</b>			
(1) Dillon County	-	-	-
(2) Entity's Name	-	-	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	-	-	-
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			-
Less: Prior Year Fund Deficit Repayment	-	-	-
<b>Carryforward Funds – End of Year</b>	20,927	-	20,927

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. DRAWER 428

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February 23, 2023

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town of Latta  
Latta, 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 Latta, 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 Latta, South Carolina's basic financial statements and have issued our report thereon dated February 23, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Latta, 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 Latta, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Latta, 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 21-1 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 21-2 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Latta, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 21-3 in the accompanying schedule of findings and responses.

### **Town of Latta, South Carolina's Response to Findings**

Town of Latta, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Latta, South Carolina's response and, accordingly, we express no opinion on it.

### **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.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF LATTA, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2021**

21-1 Lack of Expertise in the Preparation of Financial Statements

**Condition:**

As is common in small municipalities, the Town does not have anyone on staff with sufficient knowledge to prepare complete year-end financial statements including related footnote disclosures in accordance with accounting principles generally accepted in the United States of America. As such, Town officials requested us to assist in identifying adjustments to the accounting records and prepare the financial statements including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of the Town's size and is a cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

**Criteria:**

The Town should have a system of internal controls that would enable Town officials to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

**Questioned Cost:**

Unknown

**Recommendations:**

We recommend that the Town provide continuing education and training to existing employees in order to develop a financial reporting internal control system that would allow Town officials to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

**View of Responsible Official and Planned Corrective Action:**

Town officials agree with this finding but recognize the outsourcing of certain financial reporting services may remain as a cost benefit decision for the Town given its size and the cost of internal resources.

**TOWN OF LATTA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2021**

21-2

Accounting Records

**Condition:**

The town's revenue, as it relates mainly to the water and sewer fund, is not being classified correctly between revenue line items, therefore not providing management with adequate monthly financial reports compared to budget.

**Criteria:**

Revenue and expenditures should be coded correctly for posting within the general ledger in accordance with the approved annual budget.

**Questioned Cost:**

Unknown

**Recommendations:**

We recommend that the Town request the outside accounting firm assist with recording the revenue and expenditures correctly according to the approved annual budget.

**View of Responsible Official and Planned Corrective Action:**

Town officials agree with this finding and will contract with the outside accounting firm to set up the different company files for each governmental and enterprise funds as a separate set of records.

**TOWN OF LATTA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2021**

21-3 Timely Filing of Audit Report

**Condition:**

The State of South Carolina requires all municipalities to have an annual audit of their books and records each year, and to submit the audited financial statements within one year after the fiscal year ends. The Town has not filed the June 30, 2021 audit timely, in accordance with those standards.

**Criteria:**

The Town should have controls that would enable Town officials to conclude that the annual audit has been scheduled with an outside CPA, and that the books and records are complete in order for the audit and the financial statements to be finished within the specified time frame.

**Questioned Cost:**

Unknown

**Recommendations:**

We recommend that the Town appoint someone to oversee that the annual audit is properly scheduled and completed within the specified time frame, as required by State law.

**View of Responsible Official and Planned Corrective Action:**

Town officials agree with this finding and have contracted with an outside audit firm to complete the June 30, 2021 audit as soon as possible and to appoint someone that will oversee the scheduling and completion of the annual audit within the specified time frame as required by State law.