

**TOWN OF SUMMERVILLE,  
SOUTH CAROLINA**

**FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

DRAFT - SUBJECT TO REVISION

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## FINANCIAL REPORT FOR THE SIX MOTNHS ENDED JUNE 30, 2021

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## **FINANCIAL SECTION**

DRAFT - SUBJECT TO REVISION

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 30,527,505
Taxes receivable, net of allowance	28,786
Accounts receivable, net of allowances	778,623
Intergovernmental receivable	1,302,479
Inventories	103,745
Prepaid expenses	78,163
Capital assets:	
Non-depreciable	20,400,296
Depreciable, net of accumulated depreciation	103,754,969
Total assets	156,974,566
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding Pension	148,879
	10,040,119
Total deferred outflows of resources	10,188,998
<b>LIABILITIES</b>	
Accounts payable	2,008,415
Accrued liabilities	1,650,777
Unearned revenues	27,295
Intergovernmental payable	43,414
Long-term liabilities:	
Due within one year	2,185,038
Due in more than one year	25,941,166
Net pension liability	41,478,918
Total liabilities	73,335,023
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	240,840
Total deferred inflows of resources	240,840
<b>NET POSITION</b>	
Net investment in capital assets	99,157,711
Restricted for:	
Public safety	225,789
Tourism	3,383,005
Capital projects	3,211,807
Stormwater mitigation	756,425
Unrestricted	(13,147,036)
Total net position	\$ 93,587,701

The accompanying notes are an integral part of these financial statements.

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE SIX MONTHS ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					<b>Governmental Activities</b>
General government:					
Administrative	\$ 2,085,846	\$ 8,837,757	\$ -	\$ 91,958	\$ 6,843,869
Planning and annexation	603,905	1,103,483	-	-	499,578
Engineering	306,969	-	-	-	(306,969)
Municipal court	259,785	-	-	-	(259,785)
Maintenance	345,556	-	-	-	(345,556)
Public buildings and grounds	1,424,702	-	-	-	(1,424,702)
Housing and development	86,924	-	-	-	(86,924)
Public safety:					
Police	5,342,670	990,524	160,530	-	(4,191,616)
Fire	4,403,738	44,364	-	-	(4,359,374)
Communications	742,789	117,368	-	-	(625,421)
Roads and drainage:					
Street	3,079,882	-	-	522,000	(2,557,882)
Stormwater	881,849	1,694,274	-	-	812,425
Culture and recreation	1,486,789	124,889	-	-	(1,361,900)
Interest on long-term debt	381,480	-	-	-	(381,480)
Total governmental activities	<u>\$ 21,432,884</u>	<u>\$ 12,912,659</u>	<u>\$ 160,530</u>	<u>\$ 613,958</u>	<u>(7,745,737)</u>
General revenues:					
Property taxes					13,213,174
Franchise taxes					3,010,404
Accommodations and hospitality taxes					2,985,013
Sales taxes					879,269
Grants and contributions not restricted to specific programs					11,545
Unrestricted investment earnings					32,364
Miscellaneous revenues					571,630
Total general revenues					<u>20,703,399</u>
Change in net position					<u>12,957,662</u>
Net position, beginning of year					<u>80,630,039</u>
Net position, end of year					<u>\$ 93,587,701</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Sanitation Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 21,541,281	\$ 3,790,279	\$ 977,719	\$ -	\$ 4,218,226	\$ 30,527,505
Taxes receivable, net of allowance	28,786	-	-	-	-	28,786
Accounts receivable, net of allowances	99,851	580,154	59,857	21,610	17,151	778,623
Intergovernmental receivable	966,017	3,091	-	-	333,371	1,302,479
Due from other funds	737,776	-	-	-	1,200	738,976
Inventories	94,048	-	-	-	9,697	103,745
Prepaid expenditures	73,856	-	-	-	4,307	78,163
Total assets	<u>\$ 23,541,615</u>	<u>\$ 4,373,524</u>	<u>\$ 1,037,576</u>	<u>\$ 21,610</u>	<u>\$ 4,583,952</u>	<u>\$ 33,558,277</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,318,041	\$ 17,359	\$ 200,335	\$ 142,782	\$ 329,898	\$ 2,008,415
Accrued liabilities	1,298,874	11,576	-	-	92,120	1,402,570
Intergovernmental payable	43,414	-	-	-	-	43,414
Unearned revenues	27,295	-	-	-	-	27,295
Due to other funds	-	-	-	469,655	269,321	738,976
Total liabilities	<u>2,687,624</u>	<u>28,935</u>	<u>200,335</u>	<u>612,437</u>	<u>691,339</u>	<u>4,220,670</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	1,943	-	-	-	-	1,943
Total deferred inflows of resources	<u>1,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,943</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	167,904	-	-	-	14,004	181,908
Restricted for:						
Public safety	-	-	-	-	225,789	225,789
Tourism	-	4,344,589	-	-	650,597	4,995,186
Capital projects	-	-	837,241	-	2,374,566	3,211,807
Stormwater mitigation	-	-	-	-	756,425	756,425
Committed for:						
Recreation	-	-	-	-	138,307	138,307
General government	5,633,743	-	-	-	-	5,633,743
Disaster and recovery	3,000,000	-	-	-	-	3,000,000
Unassigned	12,050,401	-	-	(590,827)	(267,075)	11,192,499
Total fund balances (deficits)	<u>20,852,048</u>	<u>4,344,589</u>	<u>837,241</u>	<u>(590,827)</u>	<u>3,892,613</u>	<u>29,335,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,541,615</u>	<u>\$ 4,373,524</u>	<u>\$ 1,037,576</u>	<u>\$ 21,610</u>	<u>\$ 4,583,952</u>	<u>\$ 33,558,277</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different

Fund balances, end of year	\$	29,335,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		124,155,265
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. These amounts are related to property taxes receivable.		1,943
Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.		10,040,119
Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are therefore, not reported in the funds.		(240,840)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	\$	(5,880,000)
Limited obligation bonds payable		(20,080,000)
Issuance premiums		(798,614)
Deferred charge on refunding		148,879
Net pension liability		(41,478,918)
Compensated absences		(1,367,590)
Accrued interest payable		(248,207)
		<u>(69,704,450)</u>
	\$	<u>93,587,701</u>

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 2021

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Sanitation Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 13,211,231	\$ -	\$ -	\$ -	\$ -	\$ 13,211,231
Licenses, permits, and franchise taxes	11,359,055	2,671,216	1,201,762	-	438,134	15,670,167
Intergovernmental revenue:						
Local revenue	780,000	-	-	-	-	780,000
State revenue	1,927,215	-	-	-	457,325	2,384,540
Federal revenue	-	-	-	-	278,734	278,734
Charges for services:						
Stormwater	63,168	-	-	-	1,631,105	1,694,273
Recreation	88,920	-	-	-	-	88,920
Other	25,132	-	-	-	-	25,132
Fines and forfeitures	104,857	-	-	-	15,561	120,418
Investment income	26,372	1,399	-	-	4,593	32,364
Miscellaneous	582,766	64,100	-	-	5,097	651,963
Total revenues	<u>28,168,716</u>	<u>2,736,715</u>	<u>1,201,762</u>	<u>-</u>	<u>2,830,549</u>	<u>34,937,742</u>
<b>Expenditures:</b>						
Current:						
General government:						
Administrative	1,750,403	325,632	-	-	134,840	2,210,875
Planning and annexation	624,272	-	-	-	-	624,272
Engineering	346,802	-	-	-	-	346,802
Municipal court	285,697	-	-	-	-	285,697
Maintenance	372,907	-	-	-	-	372,907
Public buildings and grounds	1,323,514	-	-	-	-	1,323,514
Housing and development	-	-	-	-	86,924	86,924
Public safety:						
Police	5,177,581	-	-	-	214,631	5,392,212
Fire	4,575,725	-	-	-	17,148	4,592,873
Communications	616,515	-	-	-	144,703	761,218
Roads and drainage:						
Street	1,307,293	-	-	848,543	-	2,155,836
Stormwater	-	-	-	-	858,135	858,135
Culture and recreation	1,424,114	-	-	-	72	1,424,186
Capital outlay	386,092	223,621	294,397	-	657,438	1,561,548
Debt service:						
Principal retirement	295,000	-	-	-	-	295,000
Interest	71,890	126,406	278,088	-	-	476,384
Total expenditures	<u>18,557,805</u>	<u>675,659</u>	<u>572,485</u>	<u>848,543</u>	<u>2,113,891</u>	<u>22,768,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,610,911</u>	<u>2,061,056</u>	<u>629,277</u>	<u>(848,543)</u>	<u>716,658</u>	<u>12,169,359</u>
<b>Other financing sources (uses):</b>						
Transfers in	45,385	-	-	-	24,157	69,542
Transfers out	(24,157)	-	-	-	(45,385)	(69,542)
Sale of capital assets	23,559	-	-	-	18,244	41,803
Total other financing sources (uses)	<u>44,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,984)</u>	<u>41,803</u>
Net change in fund balances	9,655,698	2,061,056	629,277	(848,543)	713,674	12,211,162
<b>Fund balances, beginning of year</b>	<u>11,196,350</u>	<u>2,283,533</u>	<u>207,964</u>	<u>257,716</u>	<u>3,178,939</u>	<u>17,124,502</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 20,852,048</u>	<u>\$ 4,344,589</u>	<u>\$ 837,241</u>	<u>\$ (590,827)</u>	<u>\$ 3,892,613</u>	<u>\$ 29,335,664</u>

The accompanying notes are an integral part of these financial statements.



# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$	12,211,162
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$	1,746,278	
Depreciation expense		<u>(2,612,196)</u>	(865,918)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Net book value of capital assets sold or disposed	(25,644)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

	(547,196)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:

Principal retirement of long-term debt	295,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$	161,870	
Net pension liability, net of related deferred outflows and inflows of resources		1,633,484	
Amortization of bond premiums		92,937	
Accrued interest		<u>1,967</u>	
			<u>1,890,258</u>

Change in net position of governmental activities.	\$	<u><u>12,957,662</u></u>
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**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2021**

		<b>Custodial Fund</b>
		<b>Fireman's 1%</b>
<b>ASSETS</b>		
Cash		\$ 26,287
Accounts receivable		2,692
Total assets		<u>\$ 28,979</u>
<b>NET POSITION</b>		
Restricted:		
Individuals, organizations, and other governments		<u>\$ 28,979</u>
Total net position		<u>\$ 28,979</u>

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**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

	<b>Custodial Fund</b>
	<b>Fireman's 1%</b>
<b>ADDITIONS</b>	
Interest income	\$ 15
Total additions	15
<b>DEDUCTIONS</b>	
Other custodial disbursements	120,232
Total deductions	120,232
Change in net position	(120,217)
<b>Net position, beginning of year</b>	149,196
<b>Net position, end of year</b>	<u>\$ 28,979</u>

DRAFT - SUBJECT TO REVISION

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

The Town operates under a charter originally granted by the State of South Carolina on December 17, 1847. The government is a municipal corporation governed by an elected Mayor and six-member council. The Town provides the following services: general government (administrative services, planning and annexation, engineering, municipal court, maintenance, and public buildings and grounds), public safety (police, fire, and communications), roads and drainage (street and stormwater), and recreation.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Town of Summerville (the primary government) and its component unit. The blended component unit discussed below is included in the Town's reporting entity because of the significant influence and financial relationship with the Town.

The Summerville Redevelopment Corporation (the "Corporation") was created and organized in accordance with Title 31, Chapter 10 of the South Carolina Code of Laws. The Corporation is governed by members of the Town Council. In addition, a financial burden exists to the Town as the Town has assumed the obligation of providing financial support to the Corporation. Separate financial statements for the Corporation are not prepared.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Town does not have any proprietary funds.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period; this period is extended to 180 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Sales, accommodations, and hospitality taxes are recorded when the underlying transaction is made. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Local Accommodations and Hospitality Tax Fund** is a special revenue fund used to account for the taxes collected in the tourist related businesses, including restaurants and hotels. The expenditures of these taxes must be related to or for the promotion of tourism.

The **Sanitation Fees Fund** is a special revenue fund used to account for sanitation fees assessed on property owners which are restricted for sanitation service and projects.

The **Infrastructure Fund** is a capital projects fund used to account for the acquisition or construction of major infrastructure projects.

Additionally, the Town reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

The **Custodial Fund** is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The Fiduciary fund is custodial in nature and is not reflected in the government-wide financial statements because the resources are not available to support the Town's own programs.

#### D. Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Local Accommodations and Hospitality Tax Fund. All annual appropriations lapse at fiscal year-end. The Town Administrator submits to Town Council a balanced, proposed annual budget by November 1 of each year. Town Council must approve and adopt a final budget no later than June 30. The appropriated budget is prepared by fund, function, and department.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets and Budgetary Accounting (Continued)

The Town Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of Town Council. The legal level of budgetary control is the function level. The legally adopted budgets for the General Fund and the Local Accommodations and Hospitality Tax Fund are presented as required supplementary information.

#### E. Cash and Investments

The Town maintains a cash pool in which all funds share. Each fund's portion of the pool is displayed on its respective balance sheet as cash and investments and also includes non-pooled cash and investments separately held. Funds which have an excess of outstanding checks over bank balance have these balances reclassified as a due to the General Fund for purposes of financial statement presentation. Interest is allocated to each fund monthly based on its average monthly balance.

For purposes of financial statement presentation, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash. Cash includes certain amounts in certificates of deposit and money market funds and are stated at cost which approximates fair value.

With the exception of non-participating investment contracts and debt securities, all investments, including the Town's investment in the South Carolina Local Government Investment Pool (the "Pool"), are carried at fair value. 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 \$100. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Debt securities are reported at cost or amortized cost.

#### F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Taxes receivable are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts.

Accounts receivable in the General Fund are comprised of franchise taxes and reimbursements. Accounts receivable in the Special Revenue Funds are comprised of accommodations taxes, hospitality taxes, E911 fees, sanitation fees, and stormwater utility fees.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year, as well as all other outstanding balances between funds, are reported as “due to/from other funds.”

#### H. Inventories

Inventories in governmental funds, which are accounted for using the consumption method, consist of consumable supplies and fuel and are stated at cost, using the first-in/first-out (FIFO) method. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of current assets.

#### I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used to account for prepaid items in the Town's funds.

#### J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of an item, or add to the value of the asset or materially extend the assets' lives beyond original estimates, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Capital Assets (Continued)

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the Town's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	10 - 40 years
Infrastructure	15 - 50 years
Vehicles and rolling equipment	5 - 10 years
Furniture and equipment	5 - 10 years

#### K. Compensated Absences

The Town allows employees to accumulate unused sick leave with no limit. Employees are not reimbursed for accumulated sick leave for any reason other than retirement. An employee retiring after January 1, 2011, with 15 years of continuous service, as described by the South Carolina Retirement System, will receive payment for up to one-third of unused sick leave not to exceed the equivalent of 45 pay days. Employees are allowed to accumulate up to the equivalent of six weeks of accrued vacation. Upon termination, accumulated vacation will be paid to the employee. All vacation and compensatory pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources and represent matured liabilities, for example, as a result of employee resignations and retirements.

#### L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time of debt issuance.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town has six items that qualify for reporting in this category, five of which relate to the Town's Retirement Plan and are combined in the Statement of Net Position under the heading "Pension." The first item, experience losses, results from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability over a five-year period. The fourth item, changes in actuarial assumptions, are reported as deferred outflows of resources and are amortized into pension expense over the remaining service lives of all plan participants. The fifth item, pension contributions made subsequent to the plan measurement date, includes any contributions made by the Town to the pension plan before year-end but subsequent to the measurement date of the Town's net pension liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended June 30, 2022. The sixth and final item that qualifies for reporting in this category, deferred charge on refunding, is reported in the government-wide Statement of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. The first item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item is experience gains relating to the Town's Retirement Plan and is recorded in the Statement of Net Position under the heading "Pension." Experience gains result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The third and final item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred inflows of resources and will be amortized into pension expense over the expected remaining lives of the plan members.

#### N. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Fund Equity (Continued)

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or passage of an ordinance. Only the Town Council may modify or rescind the commitment.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by Town Council or by an official or body to which Town Council delegates the authority. The Town Council has not delegated such authority as of June 30, 2021.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

The Town Council's Finance Committee established a minimum fund balance policy for the General Fund. The policy requires a committed fund balance equal to at least 20% of the total General Fund revenues for the previous audited fiscal year and \$3,000,000 for disaster and recovery. The policy will be reevaluated every three years as needed.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### P. 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 the South Carolina Police Officers Retirement System (PORS) and additions to/deductions from SCRS and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. 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.

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. LEGAL COMPLIANCE - BUDGETS

#### Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital project funds. At June 30, 2021, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in the governmental fund balances are as follows:

	General Fund	Local Accommodations and Hospitality Tax Fund	Nonmajor Governmental Funds
Restricted for:			
Tourism	\$ -	\$ 722,220	\$ -
Public Safety	-	-	37,629
Stormwater Mitigation	-	-	147,824
Unassigned	265,691	-	-

The excess of encumbrances over restricted fund balance in the nonmajor governmental funds will be funded by future revenues and/or transfers from other funds.

#### Excess of Expenditures over Appropriations

For the six months ended June 30, 2021, expenditures exceeded appropriations as follows:

Fund/Department	Excess
<b>General Fund</b>	
General government - administrative	\$ 68,799
General government - public buildings and grounds	277,614
Public safety - fire	67,504
Culture and recreation - recreation	13,088
<b>Local Accommodations and Hospitality Tax Fund</b>	
Capital outlay	73,621

The over expenditures in the General Fund and the Local Accommodations and Hospitality Tax Fund were funded by under expenditures in other departments.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. LEGAL COMPLIANCE - BUDGETS (CONTINUED)

#### Deficit Fund Balance

The Summerville Redevelopment Corporation Fund, the Victims' Advocate Fund, the Public Safety Grants Fund, the CDBG Grant Fund, and the Sanitation Fees Fund reported deficit fund balances of \$20,556, \$8,789, \$234,426, \$3,304, and \$590,827, respectively, as of June 30, 2021. These deficits will be eliminated through future revenues.

### NOTE 3. CASH AND INVESTMENTS

Total deposits and investments as of June 30, 2021, are summarized as follows:

#### Statement of Net Position:

Cash	\$ 26,134,463
Investments	4,393,042
Total cash and investments	<u>30,527,505</u>

#### Statement of Fiduciary Net Position:

Cash	26,287
	<u>\$ 30,553,792</u>

Cash and investments deposited with financial institutions	\$ 29,403,674
South Carolina Local Government Investment Pool	1,150,118
	<u>\$ 30,553,792</u>

At June 30, 2021, the Town's pooled cash and investments included demand deposits and local government pools. The local government pool is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

Under State law, the Town is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

**Custodial Credit Risk – Deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2021, all of the Town's deposits were covered by federal depository insurance or by collateral held in the pledging financial institutions' trust department in the Town's name.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Investments:** As of June 30, 2021, the Town had the following cash and investments:

Investment	Fair Value	Percentage of Portfolio	Credit Rating
Federal National Mortgage Association	\$ 504,900	1.65%	Aaa/AA+
South Carolina Local Government Investment Pool	1,150,118	3.76%	N/A
Certificates of deposit	2,738,024	8.96%	N/A
Total investments	4,393,042		
Cash	26,160,750	85.62%	N/A
Total cash and investments	<u>\$ 30,553,792</u>		

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

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

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Agencies	\$ 504,900	\$ -	\$ -	\$ 504,900
Total investments measured at fair value	<u>\$ 504,900</u>	<u>\$ -</u>	<u>\$ -</u>	504,900
Investments not subject to level disclosure:				
Certificates of deposit				2,738,024
South Carolina Local Government Investment Pool (LGIP)				1,150,118
Total investments				<u>\$ 4,393,042</u>

The Town's investment in U.S. Agencies classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The Town has no investments classified in Level 2 or Level 3 of the fair value hierarchy.

The LGIP is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Town does not disclose investment in the LGIP within the fair value hierarchy.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Credit Risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policy allows for investments in the LGIP. As of June 30, 2021, the underlying security ratings of the Town's investment in the LGIP may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211. Additionally, the Town may invest in obligations of the United States, obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, Bank of Cooperatives, Federal Intermediate Credit Bank, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Housing Administration, and Farmer's Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise issued by at least two nationally recognized credit organizations.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy states that no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution.

### NOTE 4. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 of the current year. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty in accordance with the dates set for payment of Dorchester, Berkeley, and Charleston County taxes (by January 15 of the following year). Penalty dates and rates are the same as that established by Dorchester, Berkeley, and Charleston County Councils (January 16 – 3%, February 2 - an additional 7%, and March 16 - an additional 5%). If taxes are not paid by March 15, they are turned over to the delinquent tax office for collection. Dorchester, Berkeley, and Charleston counties bill and collect current and delinquent property taxes under contractual agreements with the Town. Town tax revenues are recognized in the period for which they are levied; therefore, revenue recognition is deferred. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license is up for renewal and are, therefore, recognized when cash is received by the Town. The taxpayer must provide proof of payment to the Highway Department before the vehicle license will be renewed.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES (CONTINUED)

The Town has imposed upon all improved property in the town limits a sanitation collection fee, to be billed annually by the County Auditor on the property tax bill and collected by the County Treasurer in the same manner as provided for property taxes. Revenue is recognized when fees are received during the current calendar year or within 60 days subsequent to year-end.

Beginning in 2019, the Town has imposed a stormwater utility fee to be billed annually by the County Auditor on the property tax bill and collected by the County Treasurer in the same manner as provided for property taxes.

Receivables at June 30, 2021, for the Town's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Local Accommodations and Hospitality Tax Fund	Infrastructure Fund	Sanitation Fees Fund	Nonmajor Governmental Funds	Total
Receivables:						
Taxes	\$ 268,230	\$ -	\$ -	\$ -	\$ -	\$ 268,230
Accounts	99,851	580,154	59,857	21,610	17,151	778,623
Intergovernmental	966,017	3,091	-	-	333,371	1,302,479
Total receivables	1,334,098	583,245	59,857	21,610	350,522	2,349,332
Less allowance for uncollectible	(239,444)	-	-	-	-	(239,444)
Net total receivables	<u>\$ 1,094,654</u>	<u>\$ 583,245</u>	<u>\$ 59,857</u>	<u>\$ 21,610</u>	<u>\$ 350,522</u>	<u>\$ 2,109,888</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the six months ended June 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,747,350	\$ -	\$ -	\$ -	\$ 11,747,350
Construction in progress	7,468,847	1,244,608	-	(60,509)	8,652,946
Total	19,216,197	1,244,608	-	(60,509)	20,400,296
Capital assets, being depreciated:					
Buildings	33,340,548	-	-	-	33,340,548
Improvements	9,444,185	88,202	-	-	9,532,387
Infrastructure	104,065,195	73,974	-	-	104,139,169
Vehicles and rolling equipment	21,694,366	132,464	(628,802)	-	21,198,028
Furniture and equipment	7,545,266	207,030	-	60,509	7,812,805
Total	176,089,560	501,670	(628,802)	60,509	176,022,937
Less accumulated depreciation for:					
Buildings	(13,332,037)	(476,594)	-	-	(13,808,631)
Improvements	(5,423,360)	(263,935)	-	-	(5,687,295)
Infrastructure	(32,872,162)	(1,012,715)	-	-	(33,884,877)
Vehicles and rolling equipment	(16,220,246)	(683,566)	603,158	-	(16,300,654)
Furniture and equipment	(2,411,125)	(175,386)	-	-	(2,586,511)
Total	(70,258,930)	(2,612,196)	603,158	-	(72,267,968)
Total capital assets, being depreciated, net	105,830,630	(2,110,526)	(25,644)	60,509	103,754,969
Governmental activities capital assets, net	\$ 125,046,827	\$ (865,918)	\$ (25,644)	\$ -	\$ 124,155,265

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

Administrative	\$ 34,791
Planning and annexation	4,217
Engineering	3,902
Municipal court	7,114
Maintenance	36,312
Public buildings and grounds	369,350
Police	306,546
Fire	355,690
Communications	47,701
Street	1,120,424
Stormwater	73,580
Recreation	252,569
Total depreciation expense - governmental activities	<u>\$ 2,612,196</u>

### NOTE 6. LONG-TERM DEBT

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

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the General Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Limited Obligation Bonds – The Town issues limited obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the Local Accommodations and Hospitality Tax Fund and the Infrastructure Fund. Limited obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Net Pension Liability – This obligation represents the Town's allocated portion of their long-term obligation for pension benefits. This obligation is primarily funded by the General Fund.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Changes in Long-term Liabilities

The following is a summary of long-term liability activity of the Town for the six months ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds payable	\$ 6,175,000	\$ -	\$ (295,000)	\$ 5,880,000	\$ 305,000
Plus deferred amounts for issuance premiums	121,340	-	-	121,340	-
General obligation bonds payable, net	6,296,340	-	(295,000)	6,001,340	305,000
Limited obligation bonds payable	20,080,000	-	-	20,080,000	985,000
Plus deferred amounts for issuance premiums	770,211	-	(92,937)	677,274	-
Limited obligation bonds payable, net	20,850,211	-	(92,937)	20,757,274	985,000
Net pension liability	41,478,918	-	-	41,478,918	-
Compensated absences payable	1,529,460	914,386	(1,076,256)	1,367,590	895,038
Total long-term liabilities	\$ 70,154,929	\$ 914,386	\$ (1,464,193)	\$ 69,605,122	\$ 2,185,038

#### General Obligation Bonds

The Town issued \$7,295,000 of Series 2016 general obligation refunding bonds during 2016. The bonds bear interest rates of 2.00% to 3.00% payable semiannually on March 1 and September 1 each year commencing on September 1, 2016. Principal payments are payable on March 1 of each year through maturity on March 1, 2037. The Series 2016 bonds were issued for the purpose of refunding the Town's Series 2007 general obligation bonds and to pay the costs of issuance of the 2016 bonds. The 2016 bond issuance resulted in an original issue premium of \$188,093. The refunding transaction resulted in the Series 2007 bonds being in-substance defeased by placing a portion of the proceeds of the Town's Series 2016 general obligation bonds into an irrevocable trust account to provide for all future debt service payments on the Series 2007 bonds. Accordingly, the trust account assets and the liability for the Series 2007 bonds are not included in the Town's financial statements. Additionally, the reacquisition price exceeded the net carrying amount of the 2007 bonds by \$230,783. This amount is recognized on the government-wide Statement of Net Position as a deferred outflow of resources and amortized over the remaining life of the 2016 bonds. The Town advance refunded the 2007 bonds to reduce its total debt service payments by \$1,122,282, which resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$908,438. At June 30, 2021, \$5,865,000 of defeased 2007 bonds remain outstanding.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### General Obligation Bonds (Continued)

The annual requirements for debt service on general obligation bonds outstanding at June 30, 2021 are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 305,000	\$ 137,430	\$ 442,430
2023	310,000	131,780	441,780
2024	315,000	125,580	440,580
2025	325,000	119,280	444,280
2026	335,000	112,780	447,780
2027 - 2031	1,775,000	460,635	2,235,635
2032 - 2036	2,060,000	245,625	2,305,625
2037	455,000	13,650	468,650
Plus deferred amounts for issuance premium	121,340	-	121,340
Total	<u>\$ 6,001,340</u>	<u>\$ 1,346,760</u>	<u>\$ 7,348,100</u>

#### Limited Obligation Bonds

The Town issued \$16,115,000 of Series 2015A (Franchise Fee Pledge) limited obligation bonds during 2015. The bonds bear interest rates of 2.00% to 5.00% and mature October 1, 2035.

The Town issued \$8,370,000 of Series 2015B (Hospitality Fee Pledge) limited obligation bonds during 2015. The bonds bear interest rates of 2.00% to 5.00% and mature October 1, 2035.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Limited Obligation Bonds (Continued)

The annual requirements for debt service on limited obligation bonds outstanding at June 30, 2021, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 985,000	\$ 789,288	\$ 1,774,288
2023	1,025,000	743,963	1,768,963
2024	1,075,000	691,463	1,766,463
2025	1,130,000	640,288	1,770,288
2026	1,175,000	586,613	1,761,613
2027 - 2031	6,670,000	2,232,881	8,902,881
2032 - 2036	8,020,000	1,070,763	9,090,763
Plus deferred amounts for issuance premium	677,274	-	677,274
Total	<u>\$ 20,757,274</u>	<u>\$ 6,755,259</u>	<u>\$ 27,512,533</u>

### NOTE 7. OPERATING LEASES

The Town participates in certain leases accounted for as operating leases. The Town is obligated under lease agreements with various parties for the rental of office equipment. Rental expense associated with the leases for the six months ended June 30, 2021, is \$28,776. Payments are funded from the Town's General Fund.

Future minimum lease payments required for the remaining terms under the non-cancelable operating leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 40,053
2023	19,970
2024	12,393
Total	<u>\$ 72,416</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 268,121
General Fund	Sanitation Fees Fund	469,655
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,200
		<u>\$ 738,976</u>

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

The composition of interfund transfers for the six months ended June 30, 2021, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 45,385
Nonmajor Governmental Funds	General Fund	24,157
		<u>\$ 69,542</u>

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

#### **Risk Management**

The Town is exposed to various risks of losses related to torts including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the South Carolina Municipal Insurance and Risk Financing Fund (the "Fund"), a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to the Fund for its general insurance. The Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The Town did not have any significant reductions in insurance coverage from prior years, and there were no settlements which exceeded insurance coverage for any of the past three years.

#### **Contingent Liabilities**

**Grants.** Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**Litigation.** The Town is party to various legal proceedings which normally occur in governmental operations. In the opinion of the Town management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the Town's financial position.

**Unemployment Compensation.** The Town makes payments to the South Carolina Department of Employment and Workforce on a reimbursement basis for costs incurred in the administration of the state unemployment compensation statutes. Claims incurred but not reported at June 30, 2021, are not significant.

**Construction Commitments.** At June 30, 2021, the Town had construction commitments related to various capital projects for approximately \$1,655,665.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS

#### Retirement Plan

*Overview:*

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Plan Description:*

The Town contributes to 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.

In addition to the SCRS pension plan, the Town also contributes to 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 described below.

**South Carolina Retirement System.** 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.

**South Carolina Police Officers Retirement System.** 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Benefits:*

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

**South Carolina Retirement System.** A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least 8 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.

**South Carolina Police Officers Retirement System.** 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *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 in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS 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 1st, 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 1st, 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. For the six months ended June 30, 2021, the Town contributed \$630,264 to the SCRS plan and \$1,003,220 to the PORS plan.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Contributions (Continued):*

Required employee contribution rates for the six months ended June 30, 2021, are as follows:

##### **South Carolina Retirement System**

9.00% of earnable compensation from January 1st through June 30th

##### **South Carolina Police Officers Retirement System**

9.75% of earnable compensation from January 1st through June 30th

Required employer contribution rates for the six months ended June 30, 2021, are as follows:

##### **South Carolina Retirement System**

15.41% of earnable compensation from January 1st through June 30th

Employer incidental death benefit: 0.15% of earnable compensation

##### **South Carolina Police Officers Retirement System**

17.84% of earnable compensation from January 1st through June 30th

Employer incidental death benefit: 0.20% of earnable compensation

Employer accidental death program: 0.20% of earnable compensation

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Net Pension Liability:*

The June 30, 2020 (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2019, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of June 30, 2021, (measurement date of June 30, 2020), the net pension liability amounts for the Town's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Town's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 35,778,711	\$ 18,144,819	\$ 17,633,892	50.7%	0.069012%
PORS	\$ 57,853,842	\$ 34,008,816	\$ 23,845,026	58.8%	0.719004%

##### *Actuarial Assumptions and Methods:*

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Actuarial Assumptions and Methods (Continued):*

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2019, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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

Former Job Class	Males	Females
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%

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Actuarial Assumptions and Methods (Continued):*

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual 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, which is summarized in the table below.

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	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	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
	100%		
	Total expected real return		5.80%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		8.05%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Discount Rate:*

The discount rate used to measure the total pension liability 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 State Code of Laws. Based on those assumptions, the Town's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liabilities to changes in the discount rate.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's portion - SCRS	\$ 21,854,917	\$ 17,633,892	\$ 14,109,093
Town's portion - PORS	\$ 31,565,041	\$ 23,845,026	\$ 17,643,954

*Pension Expense:*

For the period of July 1, 2020 through June 30, 2021, the Town recognized its proportionate share of collective pension expense of \$1,973,054 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$488,943 for a total of \$2,461,997 for the SCRS plan. Additionally, for the period of July 1, 2020 through June 30, 2021, the Town recognized its proportionate share of collective pension expense of \$3,434,807 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$465,587 for a total of \$3,900,394 for the PORS plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

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

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 203,472	\$ 66,681
Changes of assumptions	21,604	-
Net difference between projected and actual earnings on pension plan investments	1,297,121	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	929,378	-
Employer contributions subsequent to the measurement date	1,321,236	-
Total	<u>\$ 3,772,811</u>	<u>\$ 66,681</u>
 <b>PORS</b>	 <b>Deferred Outflows of Resources</b>	 <b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 506,756	\$ 104,960
Changes of assumptions	290,988	-
Net difference between projected and actual earnings on pension plan investments	2,441,676	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	911,265	69,199
Employer contributions subsequent to the measurement date	2,116,623	-
Total	<u>\$ 6,267,308</u>	<u>\$ 174,159</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*  
(Continued):

Town contributions subsequent to the measurement date of \$1,321,236 and \$2,116,623 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	SCRS	PORS
2022	\$ 643,097	\$ 1,291,992
2023	744,750	1,105,863
2024	666,050	932,254
2025	330,997	646,417

*Pension Plan Fiduciary Net Position:*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for SCRS and PORS. The ACFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

#### Deferred Compensation Plan

The Town offers a deferred compensation plan (the "Plan") to all its employees under a plan administered by the International City/County Management Association Retirement Corporation. The Plan was established in accordance with Internal Revenue Code Section 457. There are no required employer contributions to the Plan. The Plan permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries and are not subject to claims of the employer's general creditors.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Defined Contribution Plan

The Town also offers its employees participation in a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k). All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

#### Post-employment Benefits Other than Pensions

In prior years the Town sponsored a single employer defined benefit healthcare plan (the "Plan") that provided medical and dental insurance for retirees. Employees became eligible when they qualified for the SCRS or PORS and had 12 years of service with the Town. The Plan was approved each year by Town Council, and the contribution requirements of the Town and Plan members were established and amended by Town Council. These contributions were neither guaranteed nor mandatory. The Town Council retained the right to unilaterally modify its payments toward retiree healthcare benefits. During 2011, the Town Council exercised that right. The plan was curtailed at the end of 2011, continuing coverage for those individuals who had retired, or announced their retirement date, prior to December 31, 2011, but providing no coverage to any employees retiring after that date.

As a result, there remains no requirement to recognize other post-employment benefit (OPEB) cost or annual required contribution for current employees, and no covered payroll for the year. The six remaining participants will be eligible to receive a fixed amount per month, determined by management, until reaching the age of 65. Management calculated the cost to cover the obligation to the remaining participants by multiplying this fixed amount by the number of months to the attainment of age 65 for each participant, a period ranging from 1 to 12 years. Management did not reduce the calculation for the present value of a series of future payments, deeming such adjustment to be immaterial. Management estimates the liability for post-employment costs to be \$289,106, which is fully funded in an irrevocable trust administered by the South Carolina Other Retirement Benefits Employer Trust and is therefore not reported as a liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Property taxes	\$ 14,282,813	\$ 14,282,813	\$ 13,211,231	\$ (1,071,582)
Licenses, permits, and franchise taxes	11,509,962	11,509,962	11,359,055	(150,907)
Intergovernmental revenue:				
Local revenue	780,000	780,000	780,000	-
State revenue	1,339,400	1,339,400	1,927,215	587,815
Charges for services:				
Stormwater	12,500	12,500	63,168	50,668
Recreation	95,250	95,250	88,920	(6,330)
Other	26,500	26,500	25,132	(1,368)
Fines and forfeitures	125,000	125,000	104,857	(20,143)
Investment income	65,000	65,000	26,372	(38,628)
Miscellaneous	211,500	211,500	582,766	371,266
Total revenues	<u>28,447,925</u>	<u>28,447,925</u>	<u>28,168,716</u>	<u>(279,209)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Administrative	1,681,604	1,681,604	1,750,403	(68,799)
Planning and annexation	688,529	688,529	624,272	64,257
Engineering	409,444	409,444	346,802	62,642
Municipal court	363,297	363,297	285,697	77,600
Maintenance	456,203	456,203	372,907	83,296
Public buildings and grounds	1,045,900	1,045,900	1,323,514	(277,614)
Total general government	<u>4,644,977</u>	<u>4,644,977</u>	<u>4,703,595</u>	<u>(58,618)</u>
Public safety:				
Police	5,315,842	5,315,842	5,177,581	138,261
Fire	4,508,221	4,508,221	4,575,725	(67,504)
Communications	624,335	624,335	616,515	7,820
Total public safety	<u>10,448,398</u>	<u>10,448,398</u>	<u>10,369,821</u>	<u>78,577</u>
Roads and drainage:				
Street	1,377,076	1,377,076	1,307,293	69,783
Total roads and drainage	<u>1,377,076</u>	<u>1,377,076</u>	<u>1,307,293</u>	<u>69,783</u>
Culture and recreation:				
Recreation	1,411,026	1,411,026	1,424,114	(13,088)
Total culture and recreation	<u>1,411,026</u>	<u>1,411,026</u>	<u>1,424,114</u>	<u>(13,088)</u>
Capital outlay	<u>576,915</u>	<u>576,915</u>	<u>386,092</u>	<u>190,823</u>
Debt service:				
Principal	295,000	295,000	295,000	-
Interest	71,890	71,890	71,890	-
Total debt service	<u>366,890</u>	<u>366,890</u>	<u>366,890</u>	<u>-</u>
Total expenditures	<u>18,825,282</u>	<u>18,825,282</u>	<u>18,557,805</u>	<u>267,477</u>
Excess of revenues over expenditures	<u>9,622,643</u>	<u>9,622,643</u>	<u>9,610,911</u>	<u>(11,732)</u>

(Continued)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Other Financing Sources (Uses):</b>				
Transfers in	\$ 848,199	\$ 848,199	\$ 45,385	\$ (802,814)
Transfers out	(10,520,842)	(10,520,842)	(24,157)	10,496,685
Proceeds from sale of capital assets	50,000	50,000	23,559	(26,441)
Total other financing sources (uses), net	<u>(9,622,643)</u>	<u>(9,622,643)</u>	<u>44,787</u>	<u>9,667,430</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>9,655,698</u>	<u>9,655,698</u>
<b>Fund balances, beginning of year</b>	<u>11,196,350</u>	<u>11,196,350</u>	<u>11,196,350</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 11,196,350</u>	<u>\$ 11,196,350</u>	<u>\$ 20,852,048</u>	<u>\$ 9,655,698</u>

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# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## LOCAL ACCOMMODATIONS AND HOSPITALITY TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Licenses, permits, and franchise taxes	\$ 1,716,588	\$ 1,716,588	\$ 2,671,216	\$ 954,628
Investment income	52,000	52,000	1,399	(50,601)
Miscellaneous	-	-	64,100	64,100
Total revenues	1,768,588	1,768,588	2,736,715	968,127
<b>Expenditures:</b>				
Current:				
General Government:				
Administrative	487,773	487,773	325,632	162,141
Total general government	487,773	487,773	325,632	162,141
Capital Outlay	150,000	150,000	223,621	(73,621)
Debt Service:				
Interest	127,000	127,000	126,406	594
Total debt service	127,000	127,000	126,406	594
Total expenditures	764,773	764,773	675,659	89,114
Excess of revenues over expenditures	1,003,815	1,003,815	2,061,056	1,057,241
<b>Other Financing Uses</b>				
Transfers out	(813,216)	(813,216)	-	813,216
Total other financing uses	(813,216)	(813,216)	-	813,216
Net change in fund balances	190,599	190,599	2,061,056	1,870,457
<b>Fund balances, beginning of year</b>	2,283,533	2,283,533	2,283,533	-
<b>Fund balances, end of year</b>	\$ 2,474,132	\$ 2,474,132	\$ 4,344,589	\$ 1,870,457

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEARS ENDED JUNE 30,

South Carolina Retirement System					
Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.069012%	\$ 17,633,892	\$ 7,702,733	228.9%	50.7%
2019	0.065172%	14,881,542	6,882,598	216.2%	54.4%
2018	0.062961%	14,107,647	6,524,878	216.2%	54.1%
2017	0.062149%	13,990,739	6,270,642	223.1%	53.3%
2016	0.059917%	12,798,184	5,802,173	220.6%	52.9%
2015	0.057815%	10,964,894	5,420,593	202.3%	57.0%

  

South Carolina Police Officers Retirement System					
Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.71900%	\$ 23,845,026	\$ 10,858,761	219.6%	58.8%
2019	0.70506%	20,206,669	10,222,558	197.7%	62.7%
2018	0.66146%	18,742,762	9,097,575	206.0%	61.7%
2017	0.67089%	18,379,495	8,995,367	204.3%	60.9%
2016	0.65072%	16,505,348	8,295,812	199.0%	60.4%
2015	0.62700%	13,665,551	7,767,718	175.9%	64.6%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statement.

As of January 1, 2021, the Town changed its year end from December 31 to June 30.

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN CONTRIBUTIONS FOR THE YEARS ENDED JUNE 30\*,

### South Carolina Retirement System

Fiscal Year Ended	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2021	\$ 1,321,236	\$ 1,321,236	\$ -	\$ 8,491,236	15.56%
2020	1,309,205	1,309,205	-	8,413,917	15.56%
2019	1,091,347	1,091,347	-	7,239,943	15.07%
2018	936,839	936,839	-	6,660,156	14.07%
2017	803,302	803,302	-	6,389,021	12.57%
2016	687,410	687,410	-	6,102,830	11.26%
2015	590,873	590,873	-	5,600,652	10.55%

### South Carolina Police Officers Retirement System

Fiscal Year Ended	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2021	\$ 2,116,623	\$ 2,116,623	\$ -	\$ 11,604,291	18.24%
2020	2,140,212	2,140,212	-	11,733,620	18.24%
2019	1,853,397	1,853,397	-	10,447,239	17.74%
2018	1,616,374	1,616,374	-	9,627,098	16.79%
2017	1,267,493	1,267,493	-	8,995,719	14.09%
2016	1,201,796	1,201,796	-	8,841,249	13.59%
2015	1,041,651	1,041,651	-	7,917,257	13.16%

System	SCRS	PORS
Calculation date	July 1, 2018	July 1, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year Smoothed	5-year Smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	29 year maximum, closed period	29 year maximum, closed period
Investment return	7.25%	7.25
Inflation	2.25%	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service	3.50% plus step-rate increases for members with less than 15 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and females rates are multiplied by 111%.

The above schedules will present 10 years of information once it is accumulated.

\*As of January 1, 2021, the Town changed its year end from December 31 to June 30.

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## **OTHER SUPPLEMENTARY INFORMATION**

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2021

	Special Revenue Funds				
	Summerville Redevelopment Corporation	Federal Equitable Sharing Fund	State Drug Fund	Impact Fees Fund	State Accommodations Tax Fund
<b>ASSETS</b>					
Cash and investments	\$ 195	\$ 53,739	\$ 354,183	\$ 2,375,816	\$ 424,092
Accounts receivable, net of allowances	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	227,705
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	1,200	-	-	-
Total assets	<u>\$ 195</u>	<u>\$ 54,939</u>	<u>\$ 354,183</u>	<u>\$ 2,375,816</u>	<u>\$ 651,797</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 226,517	\$ 1,250	\$ 1,200
Accrued liabilities	-	-	-	-	-
Due to other funds	20,751	-	8,297	-	-
Total liabilities	<u>20,751</u>	<u>-</u>	<u>234,814</u>	<u>1,250</u>	<u>1,200</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	-	-	-	-
Restricted:					
Public safety	-	54,939	119,369	-	-
Tourism	-	-	-	-	650,597
Capital projects	-	-	-	2,374,566	-
Stormwater mitigation	-	-	-	-	-
Committed:					
Recreation	-	-	-	-	-
Unassigned	(20,556)	-	-	-	-
Total fund balances (deficits)	<u>(20,556)</u>	<u>54,939</u>	<u>119,369</u>	<u>2,374,566</u>	<u>650,597</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 195</u>	<u>\$ 54,939</u>	<u>\$ 354,183</u>	<u>\$ 2,375,816</u>	<u>\$ 651,797</u>

(Continued)

Special Revenue Funds						Total
E911 Fund	Victims' Advocate Fund	Public Safety Grants Fund	CDBG Grant Fund	Farmers Market Fund	Stormwater Management Fund	Nonmajor Governmental Funds
\$ 9,038	\$ 1,556	\$ -	\$ -	\$ 138,307	\$ 861,300	\$ 4,218,226
10,019	-	-	-	-	7,132	17,151
32,568	-	42,486	30,612	-	-	333,371
-	-	-	-	-	9,697	9,697
-	-	-	-	-	4,307	4,307
-	-	-	-	-	-	1,200
<u>\$ 51,625</u>	<u>\$ 1,556</u>	<u>\$ 42,486</u>	<u>\$ 30,612</u>	<u>\$ 138,307</u>	<u>\$ 882,436</u>	<u>\$ 4,583,952</u>
\$ 144	\$ 2,142	\$ 5,802	\$ 25,485	\$ -	\$ 67,358	\$ 329,898
-	8,203	39,268	-	-	44,649	92,120
-	-	231,842	8,431	-	-	269,321
<u>144</u>	<u>10,345</u>	<u>276,912</u>	<u>33,916</u>	<u>-</u>	<u>112,007</u>	<u>691,339</u>
-	-	-	-	-	14,004	14,004
51,481	-	-	-	-	-	225,789
-	-	-	-	-	-	650,597
-	-	-	-	-	-	2,374,566
-	-	-	-	-	756,425	756,425
-	-	-	-	138,307	-	138,307
-	(8,789)	(234,426)	(3,304)	-	-	(267,075)
<u>51,481</u>	<u>(8,789)</u>	<u>(234,426)</u>	<u>(3,304)</u>	<u>138,307</u>	<u>770,429</u>	<u>3,892,613</u>
<u>\$ 51,625</u>	<u>\$ 1,556</u>	<u>\$ 42,486</u>	<u>\$ 30,612</u>	<u>\$ 138,307</u>	<u>\$ 882,436</u>	<u>\$ 4,583,952</u>

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) NONMAJOR GOVERNMENTAL FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Special Revenue Funds				
	Summerville Redevelopment Corporation	Federal Equitable Sharing Fund	State Drug Fund	Impact Fees Fund	State Accommodations Tax Fund
<b>Revenues:</b>					
Licenses, permits, and franchise taxes	\$ -	\$ -	\$ -	\$ 388,620	\$ -
Intergovernmental revenue:					
State revenue	-	-	40,936	-	313,797
Federal revenue	-	26,246	-	-	-
Charges for services:					
Stormwater	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	2	35	-	4,556
Miscellaneous	-	-	5,097	-	-
<b>Total revenues</b>	<b>-</b>	<b>26,248</b>	<b>46,068</b>	<b>388,620</b>	<b>318,353</b>
<b>Expenditures:</b>					
Current:					
General government:					
Administrative	-	-	-	-	134,840
Housing and development	30	-	-	-	-
Public safety:					
Police	-	-	10,723	-	-
Fire	-	-	-	-	-
Communications	-	-	-	-	-
Roads and drainage:					
Stormwater	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	24,499	-	44,261	-
<b>Total expenditures</b>	<b>30</b>	<b>24,499</b>	<b>10,723</b>	<b>44,261</b>	<b>134,840</b>
Excess (deficiency) of revenues over (under) expenditures	(30)	1,749	35,345	344,359	183,513
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(45,385)
Proceeds from sale of capital assets	-	-	18,244	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>18,244</b>	<b>-</b>	<b>(45,385)</b>
<b>Net change in fund balances</b>	<b>(30)</b>	<b>1,749</b>	<b>53,589</b>	<b>344,359</b>	<b>138,128</b>
<b>Fund balances (deficits), beginning of year</b>	<b>(20,526)</b>	<b>53,190</b>	<b>65,780</b>	<b>2,030,207</b>	<b>512,469</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ (20,556)</b>	<b>\$ 54,939</b>	<b>\$ 119,369</b>	<b>\$ 2,374,566</b>	<b>\$ 650,597</b>

E911 Fund	Special Revenue Funds					Total Nonmajor Governmental Funds
	Victims' Advocate Fund	Public Safety Grants Fund	CDBG Grant Fund	Farmers Market Fund	Stormwater Management Fund	
\$ 49,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 438,134
102,592	-	-	-	-	-	457,325
-	-	160,530	91,958	-	-	278,734
-	-	-	-	-	1,631,105	1,631,105
-	15,561	-	-	-	-	15,561
-	-	-	-	-	-	4,593
-	-	-	-	-	-	5,097
152,106	15,561	160,530	91,958	-	1,631,105	2,830,549
-	-	-	-	-	-	134,840
-	-	-	86,894	-	-	86,924
-	39,738	164,170	-	-	-	214,631
-	-	17,148	-	-	-	17,148
144,703	-	-	-	-	-	144,703
-	-	-	-	-	858,135	858,135
-	-	-	-	72	-	72
-	-	27,745	9,368	-	551,565	657,438
144,703	39,738	209,063	96,262	72	1,409,700	2,113,891
7,403	(24,177)	(48,533)	(4,304)	(72)	221,405	716,658
-	24,157	-	-	-	-	24,157
-	-	-	-	-	-	(45,385)
-	-	-	-	-	-	18,244
-	24,157	-	-	-	-	(2,984)
7,403	(20)	(48,533)	(4,304)	(72)	221,405	713,674
44,078	(8,769)	(185,893)	1,000	138,379	549,024	3,178,939
\$ 51,481	\$ (8,789)	\$ (234,426)	\$ (3,304)	\$ 138,307	\$ 770,429	\$ 3,892,613



# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE SIX MONTHS ENDED JUNE 30, 2021

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### SECTION I SUMMARY OF AUDITOR'S RESULTS

#### **Financial Statements**

Type of auditor's report issued on whether  
the financial statements audited were prepared  
in accordance with GAAP.

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

#### **Federal Awards**

There was not an audit of major federal award programs as of June 30, 2021, due to the total amount expended being less than \$750,000.

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# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE SIX MONTHS ENDED JUNE 30, 2021

---

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### **2021-001. Financial Closeout and Reporting**

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operational objectives.

Generally accepted accounting principles require assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures/expenses to be recognized in the accounting period in which they become earned, measurable (and available for modified accrual funds). Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition:** Certain accounting, reporting and reconciling procedures were not properly performed and reviewed during the fiscal year which required a significant effort to close the Town's 2021 period-end. Significant adjustments were determined and required to be recorded in the year that followed June 30, 2021. We noted deficiencies in completeness, accuracy, and cut off. Specifically, we noted a lack of accurate financial and non-financial information needed:

- to properly maintain general ledgers, subsidiary ledgers, reconciliations; and,
- to close-out and report activities, events and transactions on a periodic basis.

**Context:** We addressed this matter with Town management, who worked diligently to determine the propriety of all respective details and reconciliations as of and for the six months ended June 30, 2021.

**Effect:** The ultimate effect of the above condition includes a significantly delayed conclusion to the 2021 period-end financial reporting process as well as the potential for errors and irregularities to occur and not be detected and corrected in a timely manner.

**Cause:** Certain internal controls and procedures were not in place or adhered to relating to the financial closeout and reporting process. The Town did not properly account for certain activities or prepare and review all reconciliations typically required as a part of the financial close and reporting process.

**Recommendation:** We recommend the Town adhere to existing internal controls and processes to ensure accurate and timely financial reporting. Further, we recommend the Town review such existing internal control policies and procedures in an effort to identify and evaluate strengths and weaknesses relative to its accounting and financial reporting function and take the necessary measures to address the concerns noted above with a goal of providing timely recording, reconciling, and reporting of all Town operations and financial and non-financial activities.

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE SIX MONTHS ENDED JUNE 30, 2021

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

#### **2021-001. Financial Closeout and Reporting (Continued)**

We further recommend the Town consider reinvesting in its accounting personnel by providing better technical education and training via participation in governmental accounting continuing education and financial reporting programs which are constantly available in the general geographic area of the Town. Once certain levels of technical proficiency are observed by finance and accounting staff, we further encourage the Town to better cross-train the accounting personnel in an effort to make the accounting function a stronger and more capable accounting and finance department.

**Views of Management and Planned Corrective Action:** We concur with the finding. There were numerous changes and challenges within the finance department of the Town including software implementations and transitions and the COVID-19 pandemic that attributed to the delay in the year-end closeout. We will continue to review and improve internal control policies and procedures in an effort to eliminate errors and identify deficiencies from both operational and financial perspectives.

### SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

### SECTION IV PRIOR YEAR FINDINGS AND RESPONSES

#### **2020-001. Financial Closeout and Reporting**

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operational objectives.

Generally accepted accounting principles require assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures/expenses to be recognized in the accounting period in which they become earned, measurable (and available for modified accrual funds). Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition:** Certain accounting, reporting and reconciling procedures were not properly performed and reviewed during the fiscal year which required a significant effort to close the Town's 2020 year-end. Significant adjustments were determined and required to be recorded in the years that followed December 31, 2020. We noted deficiencies in completeness, accuracy, and cut off. Specifically, we noted a lack of accurate financial and non-financial information needed:

# TOWN OF SUMMERVILLE, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE SIX MONTHS ENDED JUNE 30, 2021

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### SECTION IV PRIOR YEAR FINDINGS AND RESPONSES (CONTINUED)

#### **2020-001. Financial Closeout and Reporting (Continued)**

- to properly maintain general ledgers, subsidiary ledgers, reconciliations; and,
- to close-out and report activities, events and transactions on a periodic basis.

**Status:** Unresolved. See current year finding 2021-001.

#### **2020-002. Accounting for Cash Transactions and Reconciliation of Bank Accounts**

**Criteria:** Internal controls should be in place to ensure that cash and investment receipts and disbursements are recorded in the proper account in the proper period.

**Condition:** We noted a number of bank accounts that were not properly reconciled in a timely manner.

**Status:** Resolved.

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March 1, 2022

Town of Summerville, South Carolina  
200 South Main Street  
Summerville, SC 29483

Attn: Rhonda Moore, Finance Director

Dear Rhonda:

We are enclosing fifteen (15) copies of the financial report for the Town of Summerville, South Carolina as of June 30, 2021.

We want to express our appreciation for this opportunity to work with you.

If you have any questions or need any additional information, please do not hesitate to call.

Sincerely,

MAULDIN & JENKINS, LLC



David Irwin

DI:csg  
Enclosures