

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

Town of Ware Shoals, South Carolina
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Independent Auditor's Report

The Honorable Mayor and
Members of Town Council
Town of Ware Shoals
Ware Shoals, South Carolina

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Ware Shoals, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ware Shoals' basic financial statements. The individual nonmajor fund financial statements, and the schedule of municipal court fines, assessments and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund financial statements and the schedule of municipal court fines, assessments and surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and the schedule of court fines, assessments and surcharges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2022, on our consideration of Town of Ware Shoals' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Ware Shoals' internal control over financial reporting and compliance.

Draft

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

May 3, 2022

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

As management of the Town of Ware Shoals, South Carolina (the Town), we offer readers of the Town's financial statements this narrative overview and analyses of the financial activities of the Town for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

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

- The total government-wide net position at the close of the most recent fiscal year was \$11,774,334 of which \$583,859 was unrestricted.
- The government-wide net position decreased by \$467,593 or 4%.
- Total long-term debt increased by \$39,779 or 3%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2021 fiscal year by \$745,244.
- Total fund balances of the governmental funds increased by \$95,164 or 15%.
- The total governmental funds revenues were \$1,430,198 which was more than total governmental funds expenditures of \$1,425,994 by \$4,204.
- Other financing sources for governmental funds totaled \$90,960 for the recent fiscal year.
- The net change in the fund balance for the general fund was an increase of \$73,670, while the fund balance for the UDAG fund balance increased \$21,494.
- The net change in the water and sewer enterprise fund was a decrease of \$557,115.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the Town's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the Town's financial position. All assets and liabilities of the Town are included in the statement of net position.

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

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

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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

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

Fund Financial Statements

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

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

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

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

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

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

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the Town. The combined total assets of the Town's governmental activities and business-type activities exceeded liabilities by \$11,744,334 at the close of the most recent fiscal year.

By far, the largest portion of the Town's total net position (80%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 707,644	\$ 629,999	\$ 1,157,904	\$ 1,198,044	\$ 1,865,548	\$ 1,828,043
Capital assets, net	1,971,632	1,867,947	8,838,959	9,390,876	10,810,591	11,258,823
Restricted assets	116,401	144,598	1,649,831	1,646,968	1,766,232	1,791,566
Total assets	2,795,677	2,642,544	11,646,694	12,235,888	14,442,371	14,878,432
Deferred outflows	236,774	197,655	13,359	10,387	250,133	208,042
Total assets and deferred outflows	3,032,451	2,840,199	11,660,053	12,246,275	14,692,504	15,086,474
Liabilities and Net Position						
Current liabilities	106,381	124,517	154,721	133,315	261,102	257,832
Non-current liabilities	1,184,252	1,056,935	1,365,125	1,412,045	2,549,377	2,468,980
Total liabilities	1,290,633	1,181,452	1,519,846	1,545,360	2,810,479	2,726,812
Deferred inflows	101,135	107,586	6,556	10,149	107,691	117,735
Total liabilities and deferred inflows	1,391,768	1,289,038	1,526,402	1,555,509	2,918,170	2,844,547
Net Position						
Net investment in capital assets	1,897,422	1,867,947	7,526,821	8,053,884	9,424,243	9,921,831
Restricted	116,401	144,598	1,649,831	1,646,968	1,766,232	1,791,566
Unrestricted	(373,140)	(461,384)	956,999	989,914	583,859	528,530
Total net position	\$ 1,640,683	\$ 1,551,161	\$ 10,133,651	\$ 10,690,766	\$ 11,774,334	\$ 12,241,927

The net position decreased \$467,593 in fiscal year 2021. The governmental activities increased \$89,522, while the business-type activities decreased \$557,115. Net position of the Town's governmental activities is \$1,640,683, while the business-type activity is \$10,133,651.

\$1,766,232 of the Town's net position represents resources that are subject to restrictions on how they may be used. Restricted net position is \$116,401 for governmental activities and \$1,649,831 for business-type activities. The remaining balance of *unrestricted net position*, \$583,859 may be used to meet the Town's ongoing obligations to citizens and creditors. Unrestricted net position is (\$373,140) for governmental activities and \$956,999 for business-type activities.

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Change in Net Position

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

Condensed Statement of Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program Revenue	\$ 335,417	\$ 957,501	\$ 1,481,839	\$ 1,493,960	\$ 1,817,256	\$ 2,451,461
General Revenue	1,094,781	1,040,761	12,994	(45,806)	1,107,775	994,955
Total Revenue	<u>1,430,198</u>	<u>1,998,262</u>	<u>1,494,833</u>	<u>1,448,154</u>	<u>2,925,031</u>	<u>3,446,416</u>
Expenses:						
Governmental Activities	1,340,676	1,592,655	-	-	1,340,676	1,592,655
Business-type Activities	-	-	2,051,948	2,277,561	2,051,948	2,277,561
Total Expenses	<u>1,340,676</u>	<u>1,592,655</u>	<u>2,051,948</u>	<u>2,277,561</u>	<u>3,392,624</u>	<u>3,870,216</u>
Change in Net Position	\$ <u>89,522</u>	\$ <u>405,607</u>	\$ <u>(557,115)</u>	\$ <u>(829,407)</u>	\$ <u>(467,593)</u>	\$ <u>(423,800)</u>

Governmental activities

Governmental activities increased the Town's net position by \$59,522.

Business-type activities

Net position of business-type activities decreased in the current year by \$557,115. A key element of this decrease were the expenses from sewer.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The Town's total governmental funds reported a combined ending fund balance of \$745,244 an increase of \$95,164 in comparison with the prior year. The nonspendable fund balance constitutes \$7,022 in inventory. Restricted fund balance of \$116,401 is considered unavailable for appropriation for general operations. These amounts are restricted for drug enforcement, the Veteran's Memorial project, capital projects, Mill Site remediation, and Hospitality. A balance of \$418,292 is assigned for economic development and the Mill Site.

The General Fund is the chief operating fund of the Town and accounts for the major functions of the

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

government including general government, public safety, public works, administrative, council, legal, judicial, and non-departmental. The fund balance increased \$73,670 during the current fiscal year.

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

The net position of the water and sewer enterprise proprietary fund decreased \$557,115 from the prior fiscal year.

BUDGETARY HIGHLIGHTS

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

Budgetary comparison highlights for the current year for the General Fund are as follows:

	Budget - Final	Actual	Variance
Revenues and Other Financing Sources	\$ 1,163,074	1,499,664	336,590
Expenditures	\$ 1,163,074	1,425,994	(262,920)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	73,670	73,670

Actual General Fund revenues and other financing sources were over budgeted amounts by \$336,590. Grant income and debt proceeds accounted for the revenues over the budgeted amounts. General fund expenditures exceeded budgeted amounts by \$262,920. Capital outlay accounted for the majority of the excess of expenditures over the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Town's investment in capital assets net of accumulated depreciation for its government-wide activities as of June 30, 2021, is \$10,810,591. This is a decrease of \$448,232 from the June 30, 2020, balance of \$11,258,823. This investment in capital assets includes improvements other than buildings, buildings and systems, and machinery and equipment. The major capital asset additions included the improvements to the Town's Amphitheatre and police vehicles.

Additional information on the Town's capital assets can be found in the Notes to Financial Statements in Note 5.

Debt administration – At year-end the Town had \$1,386,348 in notes and bonds payable for its government-wide activities. This is a increase of \$49,356 (3.69%) from the previous year amount of \$1,336,992.

Additional information on the Town's long-term debt can be found in the Notes to Financial Statements in Note 6.

**TOWN OF WARE SHOALS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town of Ware Shoals is making plans for the Riegel Mill Site as an amphitheater to generate revenue for the Town. The Town of Ware Shoals has taken steps to adjust budgets to compensate for state and federal cuts and will continue to monitor these cuts and adjust accordingly. The Town plans to continue providing services for its citizens with little increase in fees and rates.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randee Beasley, Town Clerk/ Treasurer, Town of Ware Shoals, PO Box 510, Ware Shoals, South Carolina 29692.

Town of Ware Shoals, South Carolina

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 618,606	\$ 953,254	\$ 1,571,860
Receivables, net of allowance for uncollectibles	59,094	141,273	200,367
Interest receivable	-	2,827	2,827
Intergovernmental receivables	22,922	-	22,922
Inventories	7,022	60,550	67,572
Restricted assets:			
Cash and cash equivalents	116,401	1,649,831	1,766,232
Capital assets not being depreciated:			
Land	353,052	16,928	369,980
Construction in progress	566,263	-	566,263
Capital assets, net of accumulated depreciation:			
Buildings and systems	439,364	8,802,960	9,242,324
Machinery and equipment	612,953	19,071	632,024
Total assets	<u>\$ 2,795,677</u>	<u>\$ 11,646,694</u>	<u>\$ 14,442,371</u>
Deferred outflows of resources	236,774	13,359	250,133
Liabilities			
Accounts payable and other current liabilities	\$ 78,801	\$ 125,558	\$ 204,359
Noncurrent liabilities:			
Due within one year	27,580	29,163	56,743
Due in more than one year	67,119	1,286,239	1,353,358
Other noncurrent liability - net other postemployment benefit liability	-	-	-
Net pension liability	<u>1,117,133</u>	<u>78,886</u>	<u>1,196,019</u>
Total liabilities	<u>1,290,633</u>	<u>1,519,846</u>	<u>2,810,479</u>
Deferred inflows of resources	101,135	6,556	107,691
Net Position			
Invested in capital assets, net of related debt	1,897,422	7,526,821	9,424,243
Restricted for:			
Drug enforcement	9,912	-	9,912
Hospitality	101,446	-	101,446
Veterans memorial	4,946	-	4,946
Capital projects	97	-	97
Debt service	-	82,005	82,005
Repairs and maintenance	-	1,567,826	1,567,826
Unrestricted	<u>(373,140)</u>	<u>956,999</u>	<u>583,859</u>
Total net position	<u>\$ 1,640,683</u>	<u>\$ 10,133,651</u>	<u>\$ 11,774,334</u>

Town of Ware Shoals, South Carolina

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental activities:							
Police	\$ (591,476)	\$ 40,021	\$ -	\$ -	\$ (551,455)	\$ -	\$ (551,455)
Fire	(95,601)	500	-	-	(95,101)	-	(95,101)
Streets, parks and recreation	(345,128)	192,904	-	-	(152,224)	-	(152,224)
Administrative	(148,694)	18,743	-	-	(129,951)	-	(129,951)
Nondepartmental	(86,329)	-	2,700	80,549	(3,080)	-	(3,080)
Town Council, legal, judicial	(53,374)	-	-	-	(53,374)	-	(53,374)
Community Development	(20,074)	-	-	-	(20,074)	-	(20,074)
Total governmental activities	(1,340,676)	252,168	2,700	80,549	(1,005,259)	-	(1,005,259)
Business-type activities:							
Utility System	(2,051,948)	1,481,839	-	-	-	(570,109)	(570,109)
Total Primary Government	\$ (3,392,624)	\$ 1,734,007	\$ 2,700	\$ 80,549	(1,005,259)	(570,109)	(1,575,368)
General revenues and transfers:							
Taxes and penalties					515,879	-	515,879
Business licenses					364,372	-	364,372
Intergovernmental					115,768	-	115,768
Interest earnings					1,309	12,994	14,303
Miscellaneous					97,453	-	97,453
Transfers					-	-	-
Total general revenues, special items, and transfers					1,094,781	12,994	1,107,775
Change in net position					89,522	(557,115)	(467,593)
Net position, beginning					1,551,161	10,690,766	12,241,927
Net position, ending					\$ 1,640,683	\$ 10,133,651	\$ 11,774,334

Town of Ware Shoals, South Carolina

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 297,293	\$ 321,313	\$ 618,606
Receivables:			
Taxes receivable, net of allowance	24,993	-	24,993
Accounts receivable	17,316	-	17,316
Due from other funds	16,785	-	16,785
Due from other governments	22,922	-	22,922
Inventories	7,022	-	7,022
Cash - restricted	116,401	-	116,401
Total assets	\$ <u>502,732</u>	\$ <u>321,313</u>	\$ <u>824,045</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other current liabilities	\$ 78,801	\$ -	\$ 78,801
Total liabilities	78,801	-	78,801
Fund balances:			
Nonspendable for:			
Inventory	7,022	-	7,022
Restricted for:			
Drug enforcement	9,912	-	9,912
Hospitality	101,446	-	101,446
Veterans memorial	4,946	-	4,946
Capital projects	97	-	97
Assigned to:			
Economic development	-	321,313	321,313
Riegel Mill Site	96,979	-	96,979
Unassigned	203,529	-	203,529
Total fund balances	423,931	321,313	745,244
Total liabilities and fund balances	\$ <u>502,732</u>	\$ <u>321,313</u>	\$ <u>824,045</u>

Town of Ware Shoals, South Carolina

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

Total fund balance - Governmental Funds	\$ 745,244
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds.	1,971,632
Other long-term assets are not available to pay for current period expenditures and, therefore are not reported in the funds	236,774
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.	
Compensated absences	(20,489)
Notes payable	(74,210)
Other postemployment benefit obligation	-
Net pension liability	(1,117,133)
Other long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds	<u>(101,135)</u>
Total net position of Governmental Activities	\$ <u><u>1,640,683</u></u>

Town of Ware Shoals, South Carolina

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes and penalties	\$ 515,879	\$ -	\$ 515,879
Licenses and permits	364,372	-	364,372
Intergovernmental	115,768	-	115,768
Fines	33,521	-	33,521
Charges for services	218,647	-	218,647
Investment earnings	15	1,294	1,309
Contributions and donations	2,700	-	2,700
Grants	80,549	-	80,549
Miscellaneous	57,453	40,000	97,453
Total revenues	<u>1,388,904</u>	<u>41,294</u>	<u>1,430,198</u>
Expenditures			
Current:			
Police	552,852	-	552,852
Fire	17,637	-	17,637
Streets, parks and recreation	310,701	-	310,701
Administrative	147,173	-	147,173
Town Council, legal and judicial	49,567	-	49,567
Community development	20,462	-	20,462
Nondepartmental	54,183	-	54,183
Capital outlay	252,817	-	252,817
Debt service			
Principal	16,750	-	16,750
Interest	3,852	-	3,852
Total expenditures	<u>1,425,994</u>	<u>-</u>	<u>1,425,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,090)</u>	<u>41,294</u>	<u>4,204</u>
Other Financing Sources (Uses)			
Proceeds from issuance of debt	90,960	-	90,960
Transfers from (to) other funds	19,800	(19,800)	-
Total other financing sources (uses)	<u>110,760</u>	<u>(19,800)</u>	<u>90,960</u>
Net change in fund balance	73,670	21,494	95,164
Fund balance, beginning of year	350,261	299,819	650,080
Fund balance, end of year	<u>\$ 423,931</u>	<u>\$ 321,313</u>	<u>\$ 745,244</u>

See accompanying notes to financial statements.

Town of Ware Shoals, South Carolina

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

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

Net change in fund balances-total governmental funds	\$ 95,164
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 capital outlay exceeded depreciation in the current period.	103,692
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(20,489)
Note payable	(74,210)
Net revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported in these funds.	<u>(14,635)</u>
Change in net position of governmental activities	\$ <u><u>89,522</u></u>

Town of Ware Shoals, South Carolina

**Statement of Net Position
Proprietary Fund - Water and Sewer
June 30, 2021**

Assets

Current Assets

Cash and cash equivalents	\$ 953,254
Receivables, net of allowance	141,273
Interest receivable	2,827
Inventory	60,550
Total current assets	<u>1,157,904</u>

Non-Current Assets

Restricted cash, cash equivalents, and investments:	
Repairs and maintenance	1,567,826
Note payable covenant deposit	82,005
Capital Assets, less accumulated depreciation	8,838,959
Total noncurrent assets	<u>10,488,790</u>

Total assets	<u>\$ 11,646,694</u>
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Deferred outflows of resources	13,359
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Liabilities

Current Liabilities

Accounts payable	42,199
Due to other funds	16,785
Compensated absences - due within one year	3,264
Accrued expenses	11,305
Customer security deposits	55,269
Bonds payable - current	25,899
Total current liabilities	<u>154,721</u>

Non-Current Liabilities

Compensated absences	-
Bonds payable	1,286,239
Net pension liability	78,886
Total non-current liabilities	<u>1,365,125</u>
Total liabilities	<u>1,519,846</u>

Deferred inflows of resources	6,556
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Net Position

Invested in capital assets, net of related debt	7,526,821
Restricted for:	
Debt service	82,005
Repairs and maintenance	1,567,826
Unrestricted	956,999
Total net position	<u>10,133,651</u>

Town of Ware Shoals, South Carolina

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

Operating Revenues

Water revenue	\$	604,161
Sewer revenue		805,523
Service charges		4,750
Other operating income		67,405
Total operating revenues		<u>1,481,839</u>

Operating Expenses

Water department	455,609
Sewer department	1,022,337
Wastewater treatment department	22,086
Depreciation	551,916
Total operating expenses	<u>2,051,948</u>
Operating income	<u>(570,109)</u>

Non-Operating Revenue (Expenses)

Investment earnings	<u>12,994</u>
Total non-operating revenue (expenses)	<u>12,994</u>
Income (loss) before contributions and transfers	<u>(557,115)</u>

Transfers out	<u>-</u>
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Change in net position	(557,115)
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Net position, beginning of year	<u>10,690,766</u>
Net position, end of year	<u>\$ 10,133,651</u>

Town of Ware Shoals, South Carolina

Statement of Cash Flows
Proprietary Fund - Water and Sewer
Year Ended June 30, 2021

Cash Flows from Operating Activities

Receipts from customers and others	\$ 1,473,009
Payments to suppliers	(1,377,964)
Payments to employees	(129,292)
Net cash provided (used) by operating activities	<u>(34,247)</u>

Cash Flows from Capital and Related Financing Activities

Principal paid on capital debt	(24,854)
Net cash provided (used) by financing activities	<u>(24,854)</u>

Cash Flows from Investing Activities

Interest income	12,994
Net cash provided (used) by investing activities	<u>12,994</u>

Net increase in cash and cash equivalents (46,107)

Balance, beginning of year (including restricted assets of \$1,646,968)	2,649,192
Balance, ending of year (including restricted assets of \$1,649,831)	<u>\$ 2,603,085</u>

Reconciliation of operating income (loss) to net cash provided

(used) by operating activities:

Operating income	\$ (570,109)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	551,916
Change in assets and liabilities:	
Accounts receivable, net	(8,830)
Deferred outflows of resources	(2,972)
Accounts payable	(7,849)
Accrued liabilities	92
Compensated absences	(3,200)
Deferred inflows of resources	(3,593)
Net pension liability	10,298
Net cash provided (used) by operating activities	<u>\$ (34,247)</u>

Town of Ware Shoals, South Carolina

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

	Firemen's Fund
Assets	
Cash and cash equivalents	\$ 12,474
Total assets	<u>\$ 12,474</u>
Net Position	
Held as agent	<u>12,474</u>

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 1 – Description of Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Government-wide financial statements

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

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Government-wide financial statements, continued

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

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

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

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

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

Fund Financial Statements

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

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes collected within this sixty day period is an example of such revenue. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

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

Governmental funds include the following types:

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

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

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

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fund Accounting, continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund, special revenue fund, and enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions covered.

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

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

Cash and Cash Equivalents

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Receivables

The Town has an agreement with Abbeville County and Greenwood County to maintain property tax rolls and to levy and collect property taxes. The taxes collected are remitted to the Town at the end of each month. The County charges per notice for collection.

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

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Receivables, continued

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

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

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

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

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

Inventory

Inventories are carried at average cost and are used on a first-in, first-out basis, and are charged to expenses when consumed rather than when purchase. Proprietary fund inventories include supplies and materials required for the repair, maintenance, and extension of the utility plants, as well as small tools.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as inventory or prepaid items using the consumption method. A current asset for the inventory or prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which inventory or services are consumed.

Restricted Assets

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

Capital Assets

The Town's capital assets are recorded at cost for the government-wide financial statements but are not capitalized in the Town's fund financial statements. Capital assets in the Water and Sewer Department are capitalized at cost in the proprietary fund statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of land is not depreciated. Depreciation is calculated

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Capital Assets, continued

principally on the straight-line method over the estimated useful lives of the respective assets.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

Depreciation of property, plant, equipment and vehicles is computed using the straight-line method, over periods of four to fifty years.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it in accordance with accounting principles generally accepted in the United States of America.

Long-term obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows/Inflows of Resources

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

Fund Balance Reporting

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

Town of Ware Shoals, South Carolina

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

Note 2 – Summary of Significant Accounting Policies, continued

Fund Balance Reporting, continued

for which the amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

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

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

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

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

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

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Net Position

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

Encumbrances

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

Estimates

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

Financial Instruments

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

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal yearend.

Town of Ware Shoals, South Carolina

Notes to the Financial Statements Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value Measurement

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

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

Note 3 – Deposits and Investments

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

As of June 30, 2020, bank balances of the Town's deposits were \$3,502,514.

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

Credit risk – As of June 30, 2021, the Town's investment with the federal agencies is allowed under state laws.

Concentration of credit risk – The Town's investment policy currently involves investment in multiple federal notes. It limits investments in certificates of deposit to amounts covered by FDIC or the National Credit Union Share Insurance Fund (NCUSIF).

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

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

Town of Ware Shoals, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 4 - Receivables

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
Taxes (net of allowance for uncollectibles of \$0)	\$ 24,993	\$ -	\$ 24,993
Accounts (net of allowance for uncollectibles of \$0 for Governmental and \$232,552 for Business- type Activities)	17,316	141,273	158,589
Interest	<u>-</u>	<u>2,827</u>	<u>2,827</u>
	<u>42,309</u>	<u>144,100</u>	<u>186,409</u>
Due from other governments:			
State Treasurer's Office	<u>22,922</u>	<u>-</u>	<u>22,922</u>
Total receivables	\$ <u>65,231</u>	\$ <u>144,100</u>	\$ <u>209,331</u>

Note 5 – Capital Assets

A summary of capital assets accounted for in the governmental funds is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 353,052	\$ -	\$ -	\$ 353,052
Construction in progress	<u>424,206</u>	<u>142,057</u>	<u>-</u>	<u>566,263</u>
Total non-depreciable capital assets	<u>777,258</u>	<u>142,057</u>	<u>-</u>	<u>919,315</u>
Depreciable capital assets:				
Buildings	977,012	19,800	-	996,812
Improvements other than buildings	251,130	-	-	251,130
Machinery and equipment	<u>2,548,983</u>	<u>90,960</u>	<u>-</u>	<u>2,639,943</u>
Total depreciable capital assets	<u>3,777,125</u>	<u>110,760</u>	<u>-</u>	<u>3,887,885</u>
Less accumulated depreciation				
Buildings	(658,910)	(30,092)	-	(689,002)
Improvements other than buildings	(111,205)	(8,371)	-	(119,576)
Machinery and equipment	<u>(1,916,328)</u>	<u>(110,662)</u>	<u>-</u>	<u>(2,026,990)</u>
Total accumulated depreciation	<u>(2,686,443)</u>	<u>(149,125)</u>	<u>-</u>	<u>(2,835,568)</u>
Total capital assets, being depreciated, net	<u>1,090,682</u>	<u>(38,365)</u>	<u>-</u>	<u>1,052,317</u>
Governmental activities capital assets, net	\$ <u>1,867,940</u>	\$ <u>103,692</u>	\$ <u>-</u>	\$ <u>1,971,632</u>

Town of Ware Shoals, South Carolina

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

Note 5 – Capital Assets, continued

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

Governmental Activities

Police	\$ 29,123
Fire	77,964
Streets, parks, and recreation	8,371
Administrative	1,521
Non-departmental	<u>32,146</u>
 Total depreciation expense - governmental activities	 \$ <u>149,125</u>

A summary of capital assets accounted for in the proprietary fund is as follows:

	Balance July 1, 2020	Additions	Dispositions	Balance June 30, 2021
Business-Type Activities				
Non-depreciable capital assets:				
Land	\$ 16,928	\$ -	\$ -	\$ 16,928
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>16,928</u>	<u>-</u>	<u>-</u>	<u>16,928</u>
Depreciable capital assets:				
Water system	6,764,759	-	-	6,764,759
Sewer system	11,675,864	-	-	11,675,864
Waste treatment plant	6,143,039	-	-	6,143,039
Vehicles and equipment	<u>749,348</u>	<u>-</u>	<u>-</u>	<u>749,348</u>
Total depreciable capital assets	<u>25,333,010</u>	<u>-</u>	<u>-</u>	<u>25,333,010</u>
Less accumulated depreciation				
Water system	(1,820,546)	(165,285)	-	(1,985,831)
Sewer system	(8,243,925)	(286,488)	-	(8,530,413)
Waste treatment plant	(5,174,766)	(68,305)	-	(5,243,071)
Vehicles and equipment	<u>(719,826)</u>	<u>(31,838)</u>	<u>-</u>	<u>(751,664)</u>
Total accumulated depreciation	<u>(15,959,063)</u>	<u>(551,916)</u>	<u>-</u>	<u>(16,510,979)</u>
Total capital assets, being depreciated, net	<u>9,373,947</u>	<u>(551,916)</u>	<u>-</u>	<u>8,822,031</u>
Business-type activities capital assets, net	\$ <u>9,390,875</u>	\$ <u>(551,916)</u>	\$ <u>-</u>	\$ <u>8,838,959</u>

Town of Ware Shoals, South Carolina

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

Note 6 – Long-Term Debt

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Note payable	\$ -	\$ 90,960	\$ (16,750)	\$ 74,210	\$ 17,540
Compensated absences	<u>26,866</u>	<u>-</u>	<u>(6,377)</u>	<u>20,489</u>	<u>10,040</u>
Governmental activities long-term liabilities	<u>\$ 26,866</u>	<u>\$ 90,960</u>	<u>\$ (23,127)</u>	<u>\$ 94,699</u>	<u>\$ 27,580</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

On June 1, 2020, the Council entered into a note payable with a financial institution in the amount of \$90,960. The note is payable in monthly installments of \$1,717 at an interest rate of 4.623 percent. Equipment of the Town is pledged as collateral.

The annual governmental activities debt service requirements to maturity as of June 30, 2021 is as follows:

Fiscal year ending June 30,	Note Payable	
	Principal	Interest
2022	17,540	3,062
2023	18,368	2,234
2024	19,236	1,367
2025	<u>19,066</u>	<u>458</u>
\$	<u>74,210</u>	<u>\$ 7,121</u>

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Business-Type Activities					
Revenue bond	\$ 1,336,992	\$ -	\$ (24,854)	\$ 1,312,138	\$ 25,899
	<u>1,336,992</u>	<u>-</u>	<u>(24,854)</u>	<u>1,312,138</u>	<u>25,899</u>
Compensated absences	<u>6,464</u>	<u>-</u>	<u>(3,200)</u>	<u>3,264</u>	<u>3,264</u>
Business-type activities long-term liabilities	<u>\$ 1,343,456</u>	<u>\$ -</u>	<u>\$ (28,054)</u>	<u>\$ 1,315,402</u>	<u>\$ 29,163</u>

Town of Ware Shoals, South Carolina

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

Note 6 – Long-Term Debt, continued

REVENUE BONDS

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Balance at June 30, 2020</u>
Water tank - 2009 Bond	4.125%	\$ 1,312,138

The annual debt service requirements to maturity as of June 30, 2021 are as follows:

<u>Fiscal year ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	25,899	53,493
2023	26,988	52,404
2024	28,122	51,269
2025	29,305	50,087
2026	30,537	48,855
Thereafter	1,171,287	688,923
	\$ <u>1,312,138</u>	\$ <u>945,031</u>

Note 7 – Restricted Assets

Cash and cash equivalents

As of June 30, 2021, cash and cash equivalents restricted by external sources included:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Drug Enforcement	\$ 9,912	\$ -
Hospitality	101,446	-
Veterans Memorial	4,946	-
Loan Covenant	-	82,005
Capital projects	97	-
Repairs and Maintenance	-	1,567,826
	\$ <u>116,401</u>	\$ <u>1,649,831</u>

Town of Ware Shoals, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 8 – Retirement Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, 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. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as cotrustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

Plan Description

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

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

Town of Ware Shoals, South Carolina

Notes to Financial Statements

Year Ended June 30, 2021

Note 8 – Retirement Plan, continued

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership

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

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

Town of Ware Shoals, South Carolina

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

Note 8 – 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.

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

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

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

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

Town of Ware Shoals, South Carolina

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

Note 8 – 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 through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

Town of Ware Shoals, South Carolina

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

Note 8 – Retirement Plan, continued

Contributions, continued

Required employee contribution rates for fiscal year 2020-2021 are as follows:

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

Required employer contributions rates (1) are as follows:

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

Net Pension Liability

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

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

Town of Ware Shoals, South Carolina

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

Note 8 – Retirement Plan, continued

Net Pension Liability, continued

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

Actuarial Assumptions

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

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

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations for SCRS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return (1)	7.25%	7.25%
Projected salary increases (1)	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

(1) Includes inflation at 2.25%

Town of Ware Shoals, South Carolina

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

Note 8 – Retirement Plan, continued

Actuarial Assumptions, continued

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

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

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Town of Ware Shoals, South Carolina

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

Note 8 – Retirement Plan, continued

Long-Term Expected Rate of Return, continued

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

Discount Rate

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

Town of Ware Shoals, South Carolina

Notes to Financial Statements Year Ended June 30, 2021

Note 8 – Retirement Plan, continued

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 698,355	\$ 563,473	\$ 450,844
PORS	\$ 837,385	\$ 632,546	\$ 468,074

Net Pension Liability

At June 30, 2021, the Town reported a net pension liability of \$563,473 and \$632,546 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate shares of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Town's proportionate shares of the SCRS and PORS plans were .002205 percent and .019074 percent respectively, for June 30, 2020.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense for the SCRS plan of \$55,526. For the year ended June 30, 2021, the Town recognized pension expense for the PORS plan of \$91,116.

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

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

For the SCRS plan, there were total deferred outflows of resources of \$95,420 consisting of differences between expected and actual experience of \$13,695, the net difference between projected and actual earnings on pension plan investments of \$40,981, changes in proportion and differences between employer contributions and proportionate share of contributions of \$12,242, and Town contributions subsequent to the measurement date of \$28,502. There were deferred inflows of resources of \$46,829 for the SCRS plan consisting of differences between expected and actual experience.

Town of Ware Shoals, South Carolina

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

Note 8 – Retirement Plan, continued

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

For the PORS plan, there were total deferred outflows of resources of \$154,713 consisting of differences between expected and actual experience of \$34,605, the net difference between projected and actual earnings on pension plan investments of \$59,463, changes in proportion and differences between employer contributions and proportionate share of contributions of \$11,430, and Town contributions subsequent to the measurement date of \$49,215. There were deferred inflows of resources of \$60,862 for the PORS plan consisting of differences between expected and actual experience.

The \$95,420 and \$154,713 reported as deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

For the SCRS plan, (\$5,191) will be recognized for the fiscal years 2022. For fiscal year 2023 (\$2,512) will be recognized. For fiscal year 2024 \$17,215 will be recognized and \$10,576 will be recognized in 2025.

For the PORS plan, \$6,529 will be recognized for the fiscal years 2022. For fiscal year 2023 \$10,918 will be recognized. For fiscal year 2024 \$10,467 will be recognized and \$14,702 will be recognized in 2025.

Covered Payroll and Contributions

The payroll for Town employees covered by the SCRS totaled \$184,963 and \$246,022 for the year ended June 30, 2021 and 2020, while the payroll for PORS covered employees totaled \$275,870 and \$288,254, respectively.

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

Year Ended	Employer			Employee		
	Percent	SCRS	PORS	Percent	SCRS	PORS
June 30, 2021	100%	\$ 28,503	\$ 49,215	100%	\$ 16,647	\$ 26,897
June 30, 2020	100%	\$ 37,912	\$ 51,424	100%	\$ 22,142	\$ 28,105
June 30, 2019	100%	\$ 32,648	\$ 50,976	100%	\$ 20,391	\$ 29,514

Town of Ware Shoals, South Carolina

Notes to Financial Statements

Year Ended June 30, 2021

Note 9 – Risk Management

The Town is exposed to various risks of loss relating to liability, theft or impairment of assets, errors or omissions, injuries to employees and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund.

The Town pays premiums semi-annually to SCMIRF for its general insurance coverage. The SCMIRF is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

The Town also has joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (SCMIT), a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The Town pays premiums quarterly to SCMIT for its workers' compensation coverage. The SCMIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

During the fiscal year ended June 30, 2020, the Town did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for unasserted claims is necessary.

Note 10 – Contingent Liabilities

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

Note 11 – Postemployment Benefits Other Than Pensions

Plan Description. The Town provides healthcare insurance (the "Retiree Health Plan") to include dental and vision for eligible employees until the age is reached to qualify for Medicare benefits. Employees with 28 years of service as of June 30, 2006, were eligible for the Retiree Health Plan. Provisions of the Plan are established and may be amended by the Town Council. Only one retiree is eligible and is receiving benefits. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. The Town contributes 100 percent of the cost of current-year premiums for the eligible retired plan member. The Town's contributions are financed on a pay-as-you-go basis.

Membership

As of June 30, 2021, the valuation date, no retired employees were part of the membership.

Town of Ware Shoals, South Carolina

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

Note 12 – Commitments

The Town is party of the 1990 Inter-Municipal and Public Service District Agreement and Service Contract with two other entities. This agreement requires the Town to establish a Renewal and Replacement cash account for the wastewater treatment facilities. This account is reserved exclusively for the future repair, rehabilitation, refurbishment, or replacement of the wastewater facility. In prior years, the Renewal and Replacement account was depleted for expenditures outside of the intended use, and therefore, it is the responsibility of the Town to replenish the funds to the required amount in the agreement. The parties agreed the balance of the account should be \$1,060,704 as of June 30, 2006, and future required payments to the fund should be \$88,392 annually.

Note 13 – Subsequent Events

Subsequent events were evaluated through May 3, 2022, which is the date the financial statements were available to be issued.

Town of Ware Shoals, South Carolina

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

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes and penalties	\$ 450,886	\$ 450,886	\$ 515,879	\$ 64,993
Licenses and permits	341,553	341,553	364,372	22,819
Intergovernmental	105,314	105,314	115,768	10,454
Fines	45,000	45,000	33,521	(11,479)
Charges for services	215,171	215,171	218,647	3,476
Investment earnings	500	500	15	(485)
Contributions and donations	-	-	2,700	2,700
Grants	-	-	80,549	80,549
Miscellaneous	4,650	4,650	57,453	52,803
Total revenues	<u>1,163,074</u>	<u>1,163,074</u>	<u>1,388,904</u>	<u>225,830</u>
Expenditures				
Current:				
Police	610,882	610,882	552,852	58,030
Fire	21,750	21,750	17,637	4,113
Streets, parks and recreation	318,176	318,176	310,701	7,475
Administrative	136,815	136,815	147,173	(10,358)
Town Council, legal, and judicial	49,250	49,250	49,567	(317)
Community development	19,450	19,450	20,462	(1,012)
Nondepartmental	6,751	6,751	54,183	(47,432)
Capital outlay	-	-	252,817	(252,817)
Debt service				
Principal	-	-	16,750	(16,750)
Interest	-	-	3,852	(3,852)
Total expenditures	<u>1,163,074</u>	<u>1,163,074</u>	<u>1,425,994</u>	<u>(262,920)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(37,090)</u>	<u>(37,090)</u>
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	90,960	90,960
Transfers in (out)	-	-	19,800	19,800
Total other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>110,760</u>	<u>110,760</u>
Net change in fund balances	-	-	73,670	73,670
Fund balance, beginning of year	350,261	350,261	350,261	-
Fund Balance, end of year	<u>\$ 350,261</u>	<u>\$ 350,261</u>	<u>\$ 423,931</u>	<u>\$ 73,670</u>

Town of Ware Shoals, South Carolina

**Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021**

<u>Total OPEB Liability</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost at end of year	\$	\$ -	\$	\$ 23,06
Interest		427	331	
Change of benefit terms		-		
Difference between expected and actual experience		(3,620)	(17,760)	
Changes of assumptions or other inputs		-	-	
Benefit payments	(10,617)	(6,503)	-	
Other		-	-	
Net change in total OPEB liability	(10,617)	(9,696)	(17,429)	23,06
Total OPEB liability - beginning	10,617	20,313	37,742	14,67
Total OPEB liability - ending	-	10,617	20,313	37,74
Covered payroll	-	-	-	
Total OPEB liability as a percentage of covered payroll	-	-	-	

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Ware Shoals

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

System	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS					
2015	0.002352%	\$ 404,936	\$ 222,342	182.12%	59.90%
2016	0.002371%	\$ 449,672	\$ 225,721	199.22%	56.99%
2017	0.002331%	\$ 497,898	\$ 249,608	199.47%	52.90%
2018	0.002474%	\$ 556,937	\$ 259,777	214.39%	53.30%
2019	0.002507%	\$ 561,719	\$ 226,566	247.93%	54.10%
2020	0.002146%	\$ 489,921	\$ 246,022	199.14%	54.40%
2021	0.002205%	\$ 563,473	\$ 184,963	304.64%	50.70%
PORS					
2015	0.01903%	\$ 364,239	\$ 250,077	145.65%	67.50%
2016	0.02019%	\$ 439,953	\$ 280,204	157.01%	64.60%
2017	0.02198%	\$ 557,492	\$ 292,714	190.46%	60.40%
2018	0.02174%	\$ 595,471	\$ 276,821	215.11%	60.90%
2019	0.01999%	\$ 566,689	\$ 302,710	187.21%	61.70%
2020	0.020870%	\$ 598,120	\$ 288,254	207.50%	62.70%
2021	0.01907%	\$ 632,546	\$ 275,870	229.29%	58.80%

See Notes to Required Supplementary Information.
Schedule is intended to show information for 10 years.

Town of Ware Shoals

**Schedule of Contributions to Employee Pension Plan
Year Ended June 30, 2020**

	2021	2020	2019	2018	2017	2016	2015
SCRS							
Contractually required contribution	\$ 28,503	\$ 37,912	\$ 32,648	\$ 34,837	\$ 28,480	\$ 24,627	\$ 23,902
Contributions in relation to the contractually required contribution	28,503	37,912	32,648	34,837	28,480	24,627	23,902
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 184,963	\$ 246,022	\$ 226,566	\$ 259,777	\$ 249,608	\$ 225,721	\$ 222,342
Contributions as a percentage of covered payroll	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%
PORS							
Contractually required contribution	\$ 49,215	\$ 51,424	\$ 50,976	\$ 43,848	\$ 40,512	\$ 37,379	\$ 32,535
Contributions in relation to the contractually required contribution	49,215	51,424	50,976	43,848	40,512	37,379	32,535
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 275,870	\$ 288,254	\$ 302,710	\$ 276,821	\$ 292,714	\$ 280,204	\$ 250,077
Contributions as a percentage of covered payroll	17.84%	17.84%	16.84%	15.84%	13.84%	13.34%	13.01%

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

Note 1 - Budgets and Budgetary Accounting

The Town prepares an annual budget on the General Fund and the Water and Sewer Proprietary Fund. The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least forty days prior to July 1, the Administration Committee submits to the Town Council a proposed operating budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. One public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through the passage of an ordinance of which two readings are required.
4. The Administration Committee is authorized to transfer budgeted amounts between departments within any fund; however, the revisions that alter the total expenditures of any fund must be approved by the Town Council.
5. The budget for the Town is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The Town is not legally obligated to adopt a budget for the UDAG Special Revenue Fund.

Note 2 – Excess of Expenditures over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the General Fund by \$262,920.

Note 3 – Other Postemployment Benefit Plan

More information about Other Postemployment Benefit Plan is included in Note 11 of the Notes to the Financial Statements.

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

Note 4 - Net Pension Liability

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

	SCRS	PORS
Valuation date	July 1, 2018	July 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of Payroll	Level % of Payroll
Remaining amortization period	29 years maximum, closed period	29 years maximum, closed period
Asset valuation method	5-year Smoothed	5-year Smoothed
Inflation rate	2.25%	2.25%
Projected 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
Investment rate of return	7.25%	7.25%
Mortality	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	The 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 female rates are multiplied by 111%
Comment on the development of the actuarially determined and actual contribution rate.	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017

Town of Ware Shoals, South Carolina

**Balance Sheet
Nonmajor Governmental Fund
Special Revenue Fund
June 30, 2021**

	UDAG Fund
	<hr/>
Assets	
Cash and cash equivalents	\$ 321,313
Total assets	<hr/> <hr/> \$ 321,313
 Liabilities and Fund Balances	
Fund balances:	
Assigned to:	
Economic development	<hr/> 321,313
Total fund balances	<hr/> 321,313
Total liabilities and fund balances	<hr/> <hr/> \$ 321,313

Town of Ware Shoals, South Carolina

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Fund
Special Revenue Fund
Year Ended June 30, 2021**

	UDAG Fund
Revenues	
Interest income	\$ 1,294
Miscellaneous	40,000
Total revenues	<u>41,294</u>
Expenditures	
Current:	
Nondepartmental	<u>-</u>
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,294</u>
Other Financing Sources (Uses)	
Transfers from (to) other funds	<u>(19,800)</u>
Total other financing sources (uses)	<u>(19,800)</u>
Net change in fund balance	21,494
Fund balance, beginning of year	299,819
Fund balance, end of year	\$ <u><u>321,313</u></u>

Town of Ware Shoals, South Carolina

**Schedule of Court Fines, Assessments and Surcharges
Year Ended June 30, 2021**

**FOR THE STATE TREASURER'S OFFICE:
MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT**

Court Fines and Assessments:

Court fines and assessments collected	93,472
Court fines and assessments remitted to State Treasurer	53,317
Total Court Fines and Assessments retained	40,155

Surcharges and Assessments retained for victim services:

Surcharges collected and retained	2,970
Assessments retained	4,010
Total Surcharges and Assessments retained for victim services	6,980

**FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):
VICTIM SERVICE FUNDS COLLECTED**

Carryforward from Previous Year - Beginning Balance -

Victim Service Revenue:

Victim Service Assessments Retained by Town	4,010
Victim Service Surcharges Retained by Town	2,970
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	6,980

Expenditures for Victim Service Program:

Operating Expenditures	6,980
Total Expenditures from Victim Service Fund/Program (B)	6,980
Total Victim Service Funds Retained by Town (A-B)	-
Carryforward Funds - End of Year	-



HIGHSMITH & HIGHSMITH, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Member
American Institute of
Certified Public Accountants

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

To the Mayor and Members of Town Council
Town of Ware Shoals, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware Shoals, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Ware Shoals, South Carolina's basic financial statements, and have issued our report thereon dated May 3, 2022.

Internal Control over Financial Reporting

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

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

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

To the Mayor and Members of Town Council
Town of Ware Shoals, South Carolina

Compliance and Other Matters

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

Purpose of this Report

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

Draft

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

May 3, 2022