

**TOWN OF BLACKSBURG
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2019**

TOWN OF BLACKSBURG
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Blacksburg, SC

Report on the Financial Statements

I 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 Blacksburg, SC, as of and for the year ended March 31, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, SC, as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund 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 and the pension schedules, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blacksburg, SC's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of fines and assessments is presented for the purpose of additional analysis as required by the State Treasurer's Office of SC and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of fines and assessments are the responsibility of management and are 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 my opinion, the combining and individual nonmajor fund financial statements and schedule of fines and assessments 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*, I have also issued my report dated June 18, 2019, on my consideration of the Town of Blacksburg, SC's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Blacksburg, SC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Blacksburg, SC's internal control over financial reporting and compliance.



Terry R. Fant, CPA, PA

June 18, 2019

**TOWN OF BLACKSBURG
MANAGEMENTS DISCUSSION AND ANALYSIS
MARCH 31, 2019**

This discussion and analysis of the Town of Blacksburg's financial performance provides an overview of the Town's financial activities for the year ended March 31, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS:

- The Town of Blacksburg's assets exceeded liabilities by \$9,124,155 at the close of the most recent fiscal year.
- Governmental activities decreased the Town of Blacksburg's net position by \$(150,700) to a year-end balance of \$528,620.
- Business-type activities increased the Town of Blacksburg's net position by \$1,948 to a year-end balance of \$8,595,535.
- As of the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$367,629, a decrease of \$(151,364).
- The Town reported a prior period adjustment to the government-wide financial statements and the proprietary fund financial statements to adjust net OPEB liability and net position of prior years to implement GASB Statement No. 75. The accounting standard has no impact on the Town's governmental fund financial statements. Net position reported in the Town's financial statements was decreased to reflect the cumulative change in accounting principle related to the adoption of the Statement as shown below:

Increase in net position - governmental activities \$10,030

Decrease in net position - business-type activities/proprietary funds \$23,259

OVERVIEW OF THE FINANCIAL STATEMENTS:

This annual report contains a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present an overall, long-term view of the Town's finances. Fund financial statements start on page 12. These statements show how governmental activities were financed in the short-term, as well as what remains for future spending. Fund financial statements also provide detailed information about the Town's governmental activities. Notes to the financial statements are included to provide further information about certain sections of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The Statement of Net Position and the Statement of Activities:

These statements are designed to provide readers with an overall view of the Town's financial condition in a manner similar to a private-sector business. These statements are presented on the accrual basis, which means all of the year's revenues and expenses are taken into account regardless of when cash is paid or received. The Statement of Net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial health is improving or deteriorating. The

Statement of Activities presents the change in net position over the last fiscal year. These statements divide the Town into two kinds of activities.

Governmental activities: These activities include most of the Town's fundamental services, such as police, fire, public works, street and park maintenance, and general administration. Most of these activities are financed with property taxes, license and franchise fees, and state and federal grants.

Business-type activities: These are activities that are operated similar to a private enterprise. Customers are charged fees to cover most or all of the activity's operating costs. The Town's water and sewer systems are reported here.

The government wide statements can be found on pages 10-11.

FUND FINANCIAL STATEMENTS

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 of Blacksburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

These statements provide information on the individual funds of the Town. The Town has four fund types; a General fund, a Proprietary fund, several Special Revenue funds and a Fiduciary fund.

The governmental fund statements provide a detailed short-term view of the Town's financial resources and its basic services. The relationships and differences between governmental activities (reported in the government wide statements) and governmental funds are explained in reconciliations following the governmental statements. The governmental fund statements can be found on pages 12-18.

The General fund is where the basic services of the Town are accounted for. This fund is a governmental fund, and uses the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash.

The Special Revenue funds are governmental funds used to account for proceeds and expenditures of specific revenue sources according to legal restrictions.

Fiduciary funds include agency funds that hold resources for outside parties.

The Water and Sewer fund is a proprietary fund, and uses the accrual basis of accounting, the same method used in the government-wide statements. However, the proprietary fund statements provide a greater level of detail and more information than the government-wide statements. In addition, supplemental comparative statements are included following the notes to the financial statements. The proprietary fund statements can be found on pages 16-18.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-49.

REQUIRED SUPPLEMENTAL INFORMATION

In addition to the financial statements and accompanying notes, this report includes certain required supplemental information. The Town presents required supplemental information related to its participation in the cost-sharing multiple-employer State of SC pension plan and their other postemployment benefit plan.

SUPPLEMENTAL INFORMATION

Supplemental information is presented immediately following the required supplemental information which includes individual statement, combining statements, schedules and reports as listed in the table of comments.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Blacksburg, assets exceeded liabilities by \$9,124,155 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (102 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position decreased by \$(212,304) in the governmental-type activities.
Unrestricted net position decreased by \$(38,593) in the business-type activities.

The following table presents a summary of the Town's net position.

	Governmental- Type Activities		Business-type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 801,809	\$1,014,194	\$1,510,196	\$1,508,012
Capital assets	<u>1,552,383</u>	<u>1,540,786</u>	<u>8,223,072</u>	<u>8,122,927</u>
Total Assets	<u>2,354,192</u>	<u>2,554,980</u>	<u>9,733,268</u>	<u>9,630,939</u>
Deferred outflows of resources	<u>269,498</u>	<u>280,274</u>	<u>152,894</u>	<u>151,916</u>
Long-term debt outstanding	1,843,066	1,826,717	1,206,508	1,043,033
Other liabilities	<u>218,950</u>	<u>308,129</u>	<u>75,907</u>	<u>104,202</u>
Total Liabilities	<u>2,062,016</u>	<u>2,134,846</u>	<u>1,282,415</u>	<u>1,147,235</u>
Deferred inflows of resources	<u>33,054</u>	<u>31,118</u>	<u>8,212</u>	<u>18,774</u>
Net position:				
Net investment in capital assets	1,387,898	1,345,466	8,118,144	8,100,862
Restricted	153,612	124,410	0	0
Unrestricted	<u>(1,012,890)</u>	<u>(800,586)</u>	<u>477,391</u>	<u>515,984</u>
Total Net Position	<u>\$ 528,620</u>	<u>\$ 669,290</u>	<u>\$8,595,535</u>	<u>\$8,616,846</u>

Governmental activities. Governmental activities decreased the Town of Blacksburg's net position by \$(150,700). Key elements of this increase are as follows:

- Revenues increased \$134,863 due to reimbursement of administrative overhead expenses from the water and sewer fund.
- Police fines decreased 53%.
- Rental fees were increased substantially during the year.
- School District reimbursement increased due to the addition of more officers.
- Fire department expenditures increased 65%.
- The police department spent \$34,440 on a video system in the current year when grant funds were received in the prior year.
- The police department purchased two drug dogs from the narcotics fund.
- The police department purchased a new police car and replaced the engine in another vehicle.
- The administrative department purchased new Christmas displays.

Business-type activities. Business-type activities increased the Town of Blacksburg's net position by \$1,948. Key elements of this increase are as follows:

- The Town received \$260,942 from grants for capital improvements.
- Utility revenues increased by \$166,404 due mainly to an increase in tap fees.
- Operating costs increased by \$231,452 due mainly to increased administrative fees.

Overall, the Town saw a decrease in net position in the amount of \$(148,752).

Changes In Net Position

	<u>Governmental- Type Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 92,027	\$ 148,460	\$ 1,777,062	\$1,610,658
Operating grants	110,991	87,467		
Capital grants/donations		39,765	260,942	255,926
General Revenues:				
Taxes	1,574,298	1,374,187		
Other general revenues	79,368	73,145	9,119	3,351
Total Revenues	<u>1,856,684</u>	<u>1,723,024</u>	<u>2,047,123</u>	<u>1,869,935</u>
Program Expenses:				
General Government	(433,349)	(498,266)		
Police Department	(1,057,614)	(1,025,050)		
Fire Department	(101,650)	(61,650)		
Streets Department	(395,493)	(420,929)		
Cemetery Department	(14,050)	(22,988)		
Interest on long term debt	(5,228)	(4,836)		
Water and Sewer			(2,045,175)	(1,810,219)
Total Expenses	<u>(2,007,384)</u>	<u>(2,033,719)</u>	<u>(2,045,175)</u>	<u>(1,810,219)</u>
Increase (Decrease) In Net Position	(150,700)	(310,695)	1,948	59,716

Beginning Net Position	669,290	979,985	8,616,846	8,557,130
Prior Period GASB 75 Adjustment	<u>10,030</u>	<u>0</u>	<u>(23,259)</u>	<u>0</u>
Ending Net Position	<u>\$ 528,620</u>	<u>\$ 669,290</u>	<u>\$ 8,595,535</u>	<u>\$8,616,846</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. In particular, 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.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$521,241, a decrease of \$(122,162) in comparison with the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures.

The fund balance of the Town's general fund decreased by \$(122,162) during the current fiscal year. Key factors in this decrease follows:

- Revenues increased \$134,863 due to reimbursement of administrative overhead expenses from the water and sewer fund.
- Police fines decreased 53%.
- Rental fees were increased substantially during the year,
- School District reimbursement increased due to the addition of more officers.
- Fire department expenditures increased 65%.
- The police department spent \$34,440 on a video system in the current year when grant funds were received in the prior year.
- The police department purchased a new police car and replaced the engine in another vehicle.
- The administrative department purchased new Christmas displays.

Proprietary funds. The Town of Blacksburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the combined utility at the end of the year amounted to \$477,391. The total decrease in unrestricted net position from operations was \$38,593. Other factors concerning the finances of these funds have already been addressed above in the discussion of the Town's business-type activities.

BUDGETARY HIGHLIGHTS:

The original budget was amended mainly to reimburse the general fund for administrative expenses that were shared costs between the general fund and the water and sewer fund along with a decrease in police fines.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

The Town continued to extend and upgrade its water and sewer systems. Most of this activity was financed by contributions and grants. Upgrades and extensions are planned for the next fiscal year.

Capital assets

The Town's investment in capital assets for its governmental and business-type activities as of March 31, 2019, amounted to \$9,775,455 (net of accumulated depreciation). The increase in investment in capital assets for the current year includes a vehicles, water and sewer system improvements and equipment. The total increase in the Town's capital assets for the current fiscal year was \$699,903 before depreciation.

A summary of changes in governmental type activities capital assets follows:

	Balance 04-01-18	Additions	Deletions	Balance 03-31-19
Governmental type activities:	\$3,852,971	\$ 124,832	\$	\$3,977,803
Less: Accumulated Depreciation	<u>(2,312,185)</u>	<u>(113,236)</u>		<u>(2,425,421)</u>
Net Governmental Activities	<u>\$ 1,540,786</u>			<u>\$1,552,382</u>

A summary of business type activities capital assets follows:

	Balance 04-01-18	Additions	Deletions	Balance 03-31-19
Business type activities:	\$16,995,986	\$ 575,071	\$	\$17,571,057
Less: Accumulated Depreciation	<u>(8,873,059)</u>	<u>(474,925)</u>		<u>(9,347,984)</u>
Net Business Activities	<u>\$ 8,122,927</u>			<u>\$ 8,223,073</u>

Additional information on the Town's capital assets can be found in note IV.C. of the notes to the financial statements.

Long-term debt

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation.

The following is a summary of changes in long-term debt for notes, bonds and leases payable for the year ended March 31, 2019:

	Balance 04-01-18	Issued	Retired	Balance 03-31-19
Total Governmental Activities	\$ 195,320	\$ 24,136	\$ 54,971	\$ 164,485
Total Business Type Activities	<u>22,065</u>	<u>109,981</u>	<u>27,118</u>	<u>104,928</u>
Totals	<u>\$ 217,385</u>	<u>\$134,117</u>	<u>\$ 82,089</u>	<u>\$ 269,413</u>

Additional information on the Town's long-term debt can be found in note IV.D. of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The unemployment rate for the Cherokee County was 3.4% at year-end compared to 3.5% a year ago. In comparison, the state's unemployment rate was 3.2% and the national rate was 3.8%. Inflationary trends in the region compare favorably to national indices.

Tax millage for the 2018 tax book was 175.8 mills. The millage rate for the 2019 tax book will be set in September 2019.

Debris disposal fees will remain at the \$4 per residence rate for the 2019-20 fiscal year. Business license fees were increase for the 2019-20 fiscal year. Water and sewer rates were not increased for the 2019-20 fiscal year.

These factors, and others, were considered in the preparation of the Town's budget for the 2019-20 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact management at 105 South Shelby Street, Blacksburg, S.C.

Town of Blacksburg, South Carolina
Statement of Net Position
March 31, 2019

Primary Government

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 486,758	\$ 1,201,476	\$ 1,688,234
Receivables (net of allowance for uncollectibles)	243,343	206,699	450,042
Restricted assets:			
Cash and cash equivalents	71,708	102,021	173,729
Capital assets not being depreciated			
Land and easements	244,355	59,062	303,417
Capital assets being depreciated - net of accumulated depreciation	1,308,028	8,164,010	9,472,038
Total assets	2,354,192	9,733,268	12,087,460
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	269,498	152,894	422,392
LIABILITIES			
Accounts payable and other current liabilities	30,776	85,673	116,449
Customer deposits	-	47,695	47,695
Other accrued expenses	115,284	15,429	130,713
Due to/from other funds	72,890	(72,890)	-
Non-current accrued compensated absences and OPEB	273,606	197,789	471,395
Non-current net pension liability	1,404,975	903,791	2,308,766
Other noncurrent liabilities:			
Notes and capital leases due within one year	56,322	40,314	96,636
Notes and Capital leases due in more than one year	108,163	64,614	172,777
Total liabilities	2,062,016	1,282,415	3,344,431
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	33,054	8,212	41,266
NET POSITION			
Net invested in capital assets	1,387,898	8,118,144	9,506,042
Restricted for:			
Victims assistance	14,563	-	14,563
Law enforcement	13,171	-	13,171
Tourism	114,457	-	114,457
Museum maintenance	11,421	-	11,421
Unrestricted	(1,012,890)	477,391	(535,499)
Total net Position	\$ 528,620	\$ 8,595,535	\$ 9,124,155

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

Town of Blacksburg, South Carolina
Statement of Activities
For the Year Ended March 31, 2019

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 433,349	\$ 3,204	\$ -	\$ -	\$ (430,145)	\$ -	\$ (430,145)
Police department	1,057,614	59,192	110,991	-	(887,431)	-	(887,431)
Fire department	101,650	-	-	-	(101,650)	-	(101,650)
Street department	395,493	29,631	-	-	(365,862)	-	(365,862)
Cemetery department	14,050	-	-	-	(14,050)	-	(14,050)
Interest on long term debt	5,228	-	-	-	(5,228)	-	(5,228)
Total governmental activities	2,007,384	92,027	110,991	-	(1,804,366)	-	(1,804,366)
Business-type activities:							
Water and sewer utility	2,045,175	1,777,062	-	260,942	-	(7,171)	(7,171)
Total business-type activities	2,045,175	1,777,062	-	260,942	-	(7,171)	(7,171)
Total primary government	\$ 4,052,559	\$ 1,869,089	\$ 110,991	\$ 260,942	(1,804,366)	(7,171)	(1,811,537)
General revenues:							
Taxes							
Property taxes					817,802	-	817,802
Payment in lieu of taxes					6,359	-	6,359
Administrative overhead reimbursement					134,863	-	134,863
Hospitality tax					129,610	-	129,610
Local option sales tax					86,454	-	86,454
Occupational licenses and franchise fees					399,210	-	399,210
Rental income					6,404	-	6,404
Miscellaneous					22,765	-	22,765
Unrestricted investment earnings					408	9,119	9,527
State shared revenues					49,791	-	49,791
Total general revenues					1,653,666	9,119	1,662,785
Change in net position					(150,700)	1,948	(148,752)
Net position - beginning					669,290	8,616,846	9,286,136
Prior period GASB 75 adjustment					10,030	(23,259)	(13,229)
Net position - ending					\$ 528,620	\$ 8,595,535	\$ 9,124,155

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

Town of Blacksburg, South Carolina

Balance Sheet

Governmental Funds

March 31, 2019

	General Fund	Hospitality Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 339,096	\$ 108,507	\$ 39,155	\$ 486,758
Receivables - taxes (net of allow. for uncollectibles)	61,618	-	-	61,618
Receivables - disposal fees (net of allowances)	4,084	-	-	4,084
Receivables - other (net of allow. for uncollectibles)	177,641	-	-	177,641
Restricted assets:				
Cash and cash equivalents	71,708	-	-	71,708
Total assets	\$ 654,147	\$ 108,507	\$ 39,155	\$ 801,809
LIABILITIES				
Liabilities:				
Accounts payable	\$ 30,776	-	\$ -	\$ 30,776
Other accrued expense	115,284	-	-	115,284
Due to/(from) other funds	78,840	(5,950)	-	72,890
Total liabilities	224,900	(5,950)	-	218,950
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	61,618	-	-	61,618
FUND BALANCES				
Restricted - for victims assistance expenditures	-	-	14,563	14,563
- for drug enforcement	-	-	13,171	13,171
- for tourism	-	114,457	-	114,457
Assigned for museum maintenance and park	-	-	11,421	11,421
Unassigned	367,629	-	-	367,629
Total fund balances	367,629	114,457	39,155	521,241
Total liabilities, deferred inflows of resources and fund balances	\$ 654,147	\$ 108,507	\$ 39,155	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,552,383

Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.

61,618

Deferred inflows and outflows of resources related to pensions area applicable to future periods and, therefore, are not reported in the funds. (net)

236,444

Long-term liabilities are not due and payable in the current year and therefore are not reported in the funds.

(1,843,066)

Total net position of governmental activities

\$ 528,620

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

Town of Blacksburg, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2019

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes and penalties	\$ 818,846	\$ -	\$ -	\$ 818,846
Hospitality tax	-	129,610	-	129,610
Local option sales tax	86,454	-	-	86,454
Payment in lieu of taxes	6,359	-	-	6,359
Administrative overhead reimbursement	134,863	-	-	134,863
Licenses, permits and fees	399,210	-	-	399,210
Collection fees	3,204	-	-	3,204
Fines, forfeitures and penalties	48,764	-	-	48,764
Victims assistance	-	-	10,428	10,428
Disposal fees and penalties	29,631	-	-	29,631
Intergovernmental revenues:				
School district and auto reimbursements	110,991	-	-	110,991
State shared revenues	49,791	-	-	49,791
Investment earnings	408	-	-	408
Rental income	6,404	-	-	6,404
Miscellaneous revenues	12,765	-	10,000	22,765
Total Revenues	<u>1,707,690</u>	<u>129,610</u>	<u>20,428</u>	<u>1,857,728</u>
EXPENDITURES				
Current				
General government	358,894	28,832	-	387,726
Police department	937,684	-	22,408	960,092
Fire department	101,650	-	-	101,650
Street department	355,476	-	-	355,476
Cemetery department	14,050	-	-	14,050
Capital outlay:				
General government	8,752	-	-	8,752
Police department	97,781	-	18,300	116,081
Street department	-	-	-	-
Debt service:				
Principal retirement	7,582	47,389	-	54,971
Interest charges	1,321	3,907	-	5,228
Total Expenditures	<u>1,883,190</u>	<u>80,128</u>	<u>40,708</u>	<u>2,004,026</u>
Excess Revenue Over (Under) Expenditures				
Before Other Financing Sources & (Uses)	(175,500)	49,482	(20,280)	(146,298)
OTHER FINANCING SOURCES & (USES)				
Loan proceeds	24,136	-	-	24,136
Net Change in Fund Balances	(151,364)	49,482	(20,280)	(122,162)
Fund balances - beginning of year	518,993	64,975	59,435	643,403
Fund balances - end of year	<u>\$ 367,629</u>	<u>\$ 114,457</u>	<u>\$ 39,155</u>	<u>\$ 521,241</u>

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

Town of Blacksburg, South Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds To the Statement of Activities
For the Year Ended March 31, 2019

Amounts reported for governmental activities in the statement of activities (previous page) are different because:

Net change in fund balances - total governmental funds (previous page)	\$ (122,162)
--	--------------

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.	11,597
--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,044)
--	---------

Expenses in the statement of activities that do not consume current financial resources are not reported as expenditures in the funds.	(30,423)
--	----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	30,835
--	--------

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of contributions is reported as pension expense.	(39,503)
--	----------

Change in net position of governmental activities - per the Statement of Activities	<u>\$ (150,700)</u>
---	---------------------

Town of Blacksburg, South Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Property taxes and penalties	\$ 821,293	\$ 821,293	\$ 818,846	\$ (2,447)
Local option sales tax	86,325	86,325	86,454	129
Payment in lieu of taxes	41,998	-	6,359	6,359
Administrative overhead reimbursement	-	134,863	134,863	-
Licenses, permits and fees	376,250	376,250	399,210	22,960
Collection fees	2,700	2,700	3,204	504
Fines, forfeitures and penalties	170,000	40,000	48,764	8,764
Disposal fee	28,000	28,000	29,631	1,631
Intergovernmental revenues:				
School district and auto reimbursements	91,400	91,400	110,991	19,591
State shared revenues	63,000	63,000	49,791	(13,209)
Interest earnings	2,800	2,800	408	(2,392)
Rental income	5,400	5,400	6,404	1,004
Cemetery lot sales	7,000	7,000	4,500	(2,500)
Miscellaneous revenues	700	700	8,265	7,565
Total Revenues	1,696,866	1,659,731	1,707,690	47,959
EXPENDITURES				
Current:				
General government	376,352	343,352	358,894	(15,542)
Police department	929,730	851,652	937,684	(86,032)
Fire department	104,650	104,650	101,650	3,000
Street department	300,077	294,077	355,476	(61,399)
Cemetery department	15,000	15,000	14,050	950
Capital outlay:				
Capital expenditures	51,000	51,000	106,533	(55,533)
Debt service	-	-	8,903	(8,903)
Total expenditures	1,776,809	1,659,731	1,883,190	(223,459)
Excess (deficiency) of revenue over expenditures before other sources & (uses)	(79,943)	-	(175,500)	(175,500)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	24,136	(24,136)
Net change in fund balances	(79,943)	-	(151,364)	(151,364)
Fund balances - beginning of year	518,993	518,993	518,993	-
Fund balances - end of year	\$ 439,050	\$ 518,993	\$ 367,629	\$ (151,364)

The notes to the financial statements are an integral part of this statement

Town of Blacksburg, South Carolina
Statement of Net Position
Proprietary Funds
March 31, 2019

	Water and Sewer System	Total Proprietary Funds
ASSETS		
Currents assets:		
Cash and cash equivalents	\$ 1,201,476	\$ 1,201,476
Trade receivables (net of allowance for uncollectibles)	142,164	142,164
Unbilled accounts receivable	64,535	64,535
Due to/from other funds	72,890	72,890
Total current assets	<u>1,481,065</u>	<u>1,481,065</u>
Noncurrent assets:		
Restricted assets		
Cash and cash equivalents - customer deposits & construction	102,021	102,021
	<u>102,021</u>	<u>102,021</u>
Capital assets:		
Land	59,062	59,062
Buildings	61,214	61,214
Distribution system	16,369,185	16,369,185
Machinery and equipment	1,081,594	1,081,594
Less accumulated depreciation	(9,347,983)	(9,347,983)
Total capital assets (net of accumulated depreciation)	<u>8,223,072</u>	<u>8,223,072</u>
Total noncurrent assets	<u>8,325,093</u>	<u>8,325,093</u>
Total assets	<u>9,806,158</u>	<u>9,806,158</u>
DEFERRED OUTFLOWS OF RESOURCES - Pension related	<u>152,894</u>	<u>152,894</u>
LIABILITIES		
Current liabilities:		
Accounts payable	85,673	85,673
Other accrued expenses	15,429	15,429
Current portion of long-term debt - current lease payable	40,487	40,487
Total current liabilities	<u>141,589</u>	<u>141,589</u>
Current liabilities payable from restricted assets		
Customer deposits payable	47,695	47,695
Total current liabilities payable from restricted assets	<u>47,695</u>	<u>47,695</u>
Noncurrent liabilities:		
Noncurrent portion of long term debt		
Noncurrent net pension liability	903,791	903,791
Noncurrent accrued compensated absences and OPEB	197,789	197,789
Noncurrent leases payable	64,441	64,441
Total noncurrent liabilities	<u>1,166,021</u>	<u>1,166,021</u>
Total liabilities	<u>1,355,305</u>	<u>1,355,305</u>
DEFERRED INFLOWS OF RESOURCES - Pension related	<u>8,212</u>	<u>8,212</u>
NET POSITION		
Net investment in capital assets	8,118,144	8,118,144
Unrestricted	<u>477,391</u>	<u>477,391</u>
Total net position	<u>\$ 8,595,535</u>	<u>\$ 8,595,535</u>

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

Town of Blacksburg South Carolina
Statement of Revenues, Expenses and
Changes in Fund Net Position - Proprietary Fund
For the Year Ended March 31, 2019

	<u>Water System</u>	<u>Sewer System</u>	<u>Total Proprietary Fund</u>
Operating revenues:			
Metered water sales/admin fee - net of bad debts	\$ 1,078,350	\$ -	\$ 1,078,350
Sewer service charges - net of bad debts	-	363,721	363,721
Tap fees	189,085	20,000	209,085
Customer service charges/penalties	90,091	30,901	120,992
Other revenues	3,659	1,255	4,914
Total operating revenues	<u>1,361,185</u>	<u>415,877</u>	<u>1,777,062</u>
Operating expenses:			
Water purchased	310,362	-	310,362
Salaries, wages and benefits	403,845	248,550	652,395
Repairs, maintenance and supplies	170,686	66,408	237,094
Utilities	23,932	84,528	108,460
Professional fees	14,931	19,699	34,630
DHEC fees/laboratory testing	13,969	13,289	27,258
Insurance expense	14,960	14,960	29,920
Administration	21,110	10,018	31,128
Administrative overhead reimbursement	67,432	67,431	134,863
Depreciation	316,624	158,301	474,925
Total operating expenses	<u>1,357,851</u>	<u>683,184</u>	<u>2,041,035</u>
Operating income	<u>3,334</u>	<u>(267,307)</u>	<u>(263,973)</u>
Nonoperating revenues (expenses):			
Investment earnings	6,790	2,329	9,119
Interest expense	(3,083)	(1,057)	(4,140)
Total nonoperating revenue (expenses)	<u>3,707</u>	<u>1,272</u>	<u>4,979</u>
Net income before contributions	7,041	(266,035)	(258,994)
Capital contributions	<u>-</u>	<u>260,942</u>	<u>260,942</u>
Change in net position	7,041	(5,093)	1,948
Net position - beginning	5,850,432	2,766,414	8,616,846
Prior period GASB 75 adjustment	(15,792)	(7,467)	(23,259)
Net position - ending	<u>\$ 5,841,681</u>	<u>\$ 2,753,854</u>	<u>\$ 8,595,535</u>

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

Town of Blacksburg, South Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2019

	Total Proprietary Funds
Cash flows from operating activities	
Receipts from customers and users	\$ 1,768,726
Payments to/from others	61,228
Payments to employees and related benefits	(652,395)
Payments to suppliers	(807,182)
Net cash provided (used) by operating activities	<u>370,377</u>
Cash flows from capital and related financing activities	
Capital Contributions	260,942
Construction and purchase of fixed assets	(575,069)
Issuance of new debt (net of principal paid)	109,981
Principal paid on capital debt	(27,118)
Interest paid on capital debt	(4,140)
Net cash provided (used) by capital and related financing activities	<u>(235,404)</u>
Cash flows from investing activities	
Interest income received	9,119
Net cash provided (used) by investing activities	<u>9,119</u>
Net increase (decrease) in cash and cash equivalents	144,092
Cash and cash equivalents - beginning of year - restricted and unrestricted	1,159,405
Cash and cash equivalents - end of year - restricted and unrestricted	<u>\$ 1,303,497</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (263,973)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	474,924
(Increase) decrease in receivables	7,790
(Increase) decrease in deferred outflows - pensions	(978)
(Increase) decrease in due to/from other funds	61,228
Increase (decrease) in accounts payable & other accrued exp.	42,845
Increase (decrease) in customer deposits payable	1,750
Increase (decrease) in deferred inflows - pensions	(10,562)
Increase (decrease) in net pension liability	33,473
Increase (decrease) in accrued OPEB liability	23,880
Total adjustments	<u>634,350</u>
Net cash provided (used) by operating activities	<u>\$ 370,377</u>

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

TOWN OF BLACKSBURG
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

I. DESCRIPTION OF THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

A. INTRODUCTION:

The financial statements of the Town of Blacksburg are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. REPORTING ENTITY:

The Town of Blacksburg operates as a municipal corporation under a charter granted by the State of South Carolina on February 4, 1899. The Town operates under a council form of government and provides the following services as authorized by its charter: public safety (fire and police), highways and streets, sanitation, health and social services, public improvements, planning and zoning, water and sewer utilities, and general administrative services.

The accompanying general purpose financial statements include all Town funds, and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

- A) Determine its budget without the Town having the authority to approve or modify that budget.
- B) Levy taxes or set rates or charges without approval by the Town.
- C) Issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's financial statements to be misleading or incomplete.

Discretely presented component units:

At year end, the Town had no component units.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the government-wide financial statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Statement 34 is very specific in its definition and provides specifics to allow for determination of "major funds." In brief, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always a major fund. The water and sewer fund is also presented as a major fund. The Statement allows presentation of other funds that are of particular importance to also be reported as major funds. The Town has elected to report the Hospitality Special Revenue Fund as a major fund.

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. In the accompanying general purpose financial statements, the various funds of the Town are grouped into two broad fund categories as follows:

Governmental funds

Governmental funds are used to account for all or most of a government's general activities.

General fund - The General fund is the Town's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Principal sources of revenue are property taxes, licenses and permits, and intergovernmental revenues. Primary expenditures are for general government, public safety, public works, and building zoning.

Special Revenue funds - Special revenue funds are used to account for the proceeds from specific revenue sources (other than funding for major capital projects) that are legally obligated to expenditures for specified purposes. The Town uses a special revenue funds to account for a narcotics fund whose use is restricted by State law for drug enforcement, a victim assistance fund whose use is restricted by State Law for aid to victims of crime, a hospitality tax fund whose use is restricted by State law for tourism, and a museum fund whose use is assigned by Mayor and Council for maintenance of the Blacksburg Museum

Fiduciary funds - The fiduciary fund accounts for financial resources held for benefit of parties outside of the government because the resources of that fund are not available to support the Town's own programs. The Town uses agency funds to account for seized funds that are being held for the court system until the cases are adjudicated.

Proprietary fund - Enterprise fund

Proprietary funds account for activities similar to those found in the private sector. Proprietary funds are used to account for activities where the determination of net income or loss is necessary or useful to sound financial administration. An enterprise fund is used to account for operations which provide goods or services and recover costs through user charges in a manner similar to private business enterprises. The Town maintains one Enterprise fund to account for water and sewer utilities services provided to customers within the Town and the surrounding areas. Services are supplied to customers under a rate structure designed to produce revenues sufficient to recover operating expenses, including principal and interest on Enterprise fund debt.

Significant New Accounting Standards Adopted – Change in Accounting Principle

The Town implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in the year ended March 31, 2019. The primary objective of this Statement is to improve the usefulness of information about other postemployment benefits (primarily retiree medical benefits) other than pensions ("OPEB") in external financial reports. The requirements of the Statement aim to provide citizens and other users of the financial statements with a clearer picture of the entity's financial obligations to current and former employers for past services rendered. Previous standards required an employer to recognize a liability for unfunded required contributions to the OPEB plan (called "Net OPEB Obligation"). GASB Statement No. 75 establishes standards for recognizing deferred outflows of resources, deferred inflows of resources, and the "Net OPEB Liability," which is the total OPEB liability less the fiduciary net position of the plan assets. More extensive note disclosures are also required.

The adoption of the Statement had no impact on the Town's governmental fund financial statements since governmental funds do not report long-term assets and liabilities. However, the adoption has resulted in the restatement of the Town's net position of the proprietary fund financial statements and its government-wide financial statements as of April 1, 2018 to reflect the reporting of net OPEB liability and deferred outflows of resources related to the Town's OPEB plan. Net position reported in the Town's financial statements was adjusted to reflect the cumulative change in accounting principle related to the adoption of the Statement as shown below:

Increase in net position - governmental activities	\$10,030
Decrease in net position - business-type activities/proprietary funds	\$23,259

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

Measurement Focus and Basis of Accounting

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Town's recognition standards as discussed below are in compliance with Statement No. 33 of the Governmental Accounting Standards Board, Accounting, and Financial Reporting for Non-exchange Transactions. Implementation of GASB Statement No. 33 did not have a material effect on the Town's financial statements, except that capital contributions from external sources received by the proprietary fund are now reflected as revenues in the financial statements of the proprietary fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the combined balance sheet. The reported fund balance (net current assets) is considered to be a measure of "available spending resources." Operating statements of these funds present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spending resources" during a period. All proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included in the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in total net position.

Governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. A 45 day period is used to determine availability. Exchange transactions are recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met. The revenues susceptible to accrual include property taxes, franchise fees, licenses, interest revenues, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recognized when the fund liability is incurred, except principal and interest on General Long-Term Obligations which are recognized when due or when funds have been made available for payment.

The accrual basis of accounting is utilized by the Proprietary fund. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's proprietary fund and various other functions of the government. Elimination of these charges would distort the direct cost and program revenue reported for the various functions concerned.

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. Likewise, internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

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

Periodically management evaluates its allowance for uncollectibles based on historical experience as well as current credit conditions.

Certain reclassifications are made to prior year amounts in the accompanying financial statements to conform to current year presentation.

Management evaluates subsequent events through the report issuance date

Financial Statement Presentation

The Town reports the following governmental funds:

General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this Fund. The Fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds – These funds are established to account for resources from specific revenue sources that are legally restricted to expenditures for specific purposes. The primary revenue sources for the different special revenue funds include hospitality tax collections, narcotics seizures allocated to the Town by the court system, museum donations and victims advocate assessments.

Fiduciary Fund – This fund is used to account for resources held for the benefit of parties outside the government because the resources of that fund are not available to support the Town's own programs. The Town uses an agency type fiduciary fund to account for seized assets that are being held for the court system until the cases are adjudicated. The agency fund consists of a cash account and a corresponding liability account. The agency fund reports no income or expenditures.

The Town reports the following enterprise funds:

The Water and Sewer System Enterprise Fund is used to account for the operations of the Water and Sewer System. Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/ FUND BALANCE:

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Town has no investments that require fair value measurement. Investments are composed of savings accounts and money market funds where cost approximates fair value.

For purposes of the statement of cash flows, the Town considers all short-term investments with original maturities of three months or less, when acquired, to be cash equivalents.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles based on management's overall estimate of collectability using historical collection experience and subsequent collection information. The Town reports utility accounts receivable and property taxes receivable that are unsecured.

The Town Code provides for the tax levy on all real property located within the Town's corporate limits on the first day of October. Vehicle taxes are levied monthly and are billed and collected by Cherokee County and remitted to the Town monthly during the year. Real property taxes are delinquent after February 28 of the following year. The lien date is one year from the date of levy. The property tax rate approved by ordinance for fiscal year 2019 was 175.8 mills.

Utility sales revenues are recognized at the time the services are provided. Substantially all customer balances over 90 days past due are considered uncollectible.

Receivables for reimbursements under grants are recognized when the related reimbursable expenditure is incurred.

3. Inventories and prepaid items

The Towns no material amounts of inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain cash accounts, investment accounts, and receivables are classified as restricted assets in the combined balance sheet because their use is limited by applicable debt covenants, grant agreements, user agreements, etc.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for non-real estate items and \$50,000 for real estate (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed but not in governmental-type activities.

Property, plant, and equipment (including capital leased assets) are depreciated using the straight line method over the following estimated useful lives: (Land is not depreciated)

Buildings	40 years
Infrastructure	10 to 40 years
Water system in service	33 years
Sewer system in service	33 years
Vehicles and equipment	5 to 10 years

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Fund balance/net position classifications

Equity accounts represent the difference between the assets and the liabilities of a government or a given fund. Resources often come with limitations on how they may be used by the recipient. These purpose restrictions should be reflected in the equity section of the statement of position. In governmental funds, a classification of fund balance would be appropriate for this purpose. In government-wide and proprietary fund financial statements, such amounts would be reflected as part of restricted net position.

Assignments are used to reflect a government's intended use of current available financial resources. The focus on current financial resources is unique to governmental funds. Accordingly, designations should be reported only on the governmental fund balance sheet. There is no equivalent equity assignment that may be used for government-wide financial reporting or for proprietary fund and fiduciary fund financial reporting to reflect the intended use of resources.

Non-spendable fund balances represents the portion of fund balance that is associated with such items as inventories, prepaids, long-term loans and notes receivable, and property available for resale (unless the proceeds of the sale are restricted, committed or assigned) and is not available for appropriation or expenditure at the balance sheet date.

Restricted fund balances have constraints placed on the use of resources from either external creditors or imposed by law through constitutional provision or enabling legislation.

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are constrained by the government's intent to be used for specific purpose but are neither restricted nor committed.

Unassigned fund balances have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund.

Restricted for tourism – represents funds collected from hospitality tax and required to be used specifically for tourism expenditures.

Restricted for drug enforcement – represents funds collected and seized from police fines and forfeitures and required to be expended specifically for drug enforcement activities.

Restricted for victims assistance – represents funds collected from police fines and forfeitures and required to be used specifically for victims' assistance expenditures.

Assigned for museum maintenance – represents funds donated to the Town that are required by the donors to be used specifically for the museum.

Unassigned - represents resources available for appropriation in following years for any lawful purpose.

When committed, assigned, and unassigned fund balances are available for use for the purpose of an expenditure, it is the government's policy to use committed amounts first, and then assigned amounts and finally unassigned amounts as they are needed when any of those unrestricted fund balances could be used.

When both restricted and unrestricted fund balances/net position are available and could be used for use for the purpose of an expenditure, it is the government's policy to spend restricted amounts first, then unrestricted resources as they are needed when either could be used.

For committed fund balances, the government's highest level of decision making is Town Council. The formal action that is required to establish (and modify or rescind) a fund balance commitment is a Town Ordinance.

For assigned fund balances, the Mayor is authorized to assign amounts to a specific purpose. Appointment by Town Council is the policy established pursuant to which authorization is given.

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net position on the government-wide statement of activities is added to (or deducted from) net position – beginning of the fiscal year to arrive at net position – end of the fiscal year.

Net positions are defined as the difference between assets and liabilities in the government-wide statement of net position.

The government-wide statement of net position reports all government assets, therefore, a significant portion of the net position reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP require the amount of net position invested in capital assets to be reported as a separate category of net position. Net position invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of a government's net position by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net position.

GAAP direct that the difference between total net position and the two categories discussed above (net invested in capital assets and restricted net position) be reported as unrestricted net position. This amount may be a deficit to the extent that a government has elected to fund certain long-term liabilities (vacation leave, for instance) as they come due rather than when they are incurred.

8. Comparative data/reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations of the funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

9. Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities reports expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provide for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

The focus in proprietary funds is on expenses rather than expenditures. GAAP require that the statement of activities for proprietary funds distinguish operating from nonoperating expenses. GAAP do not provide an authoritative definition of operating and nonoperating expenses for this purpose, although GAAP indicate that financial statement preparers may wish to consider the authoritative guidance on identifying cash flows from operating activities in arriving at their own definitions.

10. Compensated Absences

A total of 60 days of sick leave may be accumulated by each employee; however, employees are not paid for the accumulated sick leave upon retirement or other termination. A maximum of 4 weeks (160 hrs.) of annual leave can be accumulated. Upon retirement or termination of employment, annual leave will be paid up to the accrual date of employment.

The Town accrues a liability for compensated absences that meets the following criteria:

- (1) The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation pay which has been earned but not taken by Town employees. For entity-wide report presentation, the liability for compensated absences expected to be taken during the next fiscal year is included in the current liabilities of the related fund.

11. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element 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 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 then. The government reports deferred inflows under the modified accrual approach from property taxes and hospitality taxes.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation states "governmental funds report capital outlay as expenditures. In the statement of net position, the cost of these assets is recorded and that cost is allocated over their estimated useful lives." Explanation of this difference totaling \$1,552,382 is as follows:

Total capital assets	\$ 3,977,803
Accumulated depreciation	<u>(2,425,421)</u>
Net adjustment to increase fund balance – total governmental	
Funds to arrive at net position – governmental activities	<u>1,552,382</u>

Another element of that reconciliation states "certain assets are not available to pay for current period expenditures and, therefore, are deferred or restricted in the funds." Explanation of this difference totaling \$61,618 is as follows:

Deferred inflows – unavailable property taxes	\$ <u>61,618</u>
Net adjustment to increase fund balance – total governmental	
funds to arrive at net position – governmental activities	<u>61,618</u>

Another element of that reconciliation explains that "deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Explanation of this difference totaling \$236,444 is as follows:

Deferred outflows of resources	\$ 269,498
Deferred inflows of resources	<u>(33,054)</u>
Net adjustment to increase fund balance – total governmental	
funds to arrive at net position – governmental activities	<u>236,444</u>

Another element of that reconciliation explains that "long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the funds." Explanation of this difference totaling \$(1,843,066) is as follows:

Accrued compensated absences	\$ (51,998)
OPEB liability	(221,608)
Net pension obligations	(1,404,975)
Capital leases payable	(16,554)
Bonds payable	<u>(147,931)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>(1,843,066)</u>

Total net adjustments to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 7,379</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "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.

The details of this \$11,597 difference are as follows:

Capital outlay	\$ 124,833
Depreciation expense	<u>(113,236)</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>11,597</u>
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Another element of that reconciliations states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this \$(1,044) are as follows:

Deferred revenue decrease for unavailable taxes	<u>\$ (1,044)</u>
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Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>(1,044)</u>
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Another element of that reconciliations states that "expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the funds. The details of this \$(30,423) are as follows:

OPEB increase	\$ (14,890)
Deferred compensated absences increase	<u>(15,533)</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>(30,423)</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities” The details of this \$30,835 are as follows:

Principal payments	\$ 54,971
Financing proceeds	<u>(24,136)</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>30,835</u>
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Another element of that reconciliations states that “governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of pension benefits earned net of contributions is reported as a pension expense. The details of this \$(39,503) are as follows:

Pension Contributions	\$ 98,335
Cost of benefits earned net of contributions	<u>(137,838)</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>(39,503)</u>
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Total net adjustments to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (28,538)</u>
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C. Reclassifications and eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

In accordance with the State of South Carolina General Statutes, the Town prepares an annual balanced budget ordinance. The Town adopts annual budgets for the General fund using the modified accrual basis which is consistent with accounting principles generally accepted in the United States of America and for the Enterprise funds using the full accrual basis. An annual budget for a Special Revenue fund is not adopted because sufficient budgetary control is achieved through restrictions that are included in the various grant agreements. An annual operating budget for the Capital Projects fund is not adopted as its revenues and expenditures are adopted on a project basis. Appropriations for the General and Enterprise funds lapse at the end of the budget year.

In February, the budget process begins with comprehensive work sessions in which the Town Administrator meets with all department heads to discuss current and future trends, needs, and goals of the Town. All department heads submit comprehensive lists of programs, projects, and initiatives to be considered in the upcoming budget and meet with Town Administrator individually. The Council holds public hearings and a final budget must be prepared and adopted no later than March 31.

Budgets are prepared at the fund, function, and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year subject to Town Council approval. During the year, no supplemental appropriations were adopted by the Town Council. The total budgeted revenues and total budgeted expenditures remained unchanged.

B. EXCESS OF EXPENDITURES OVER REVENUES AND BUDGET

For the year ended March 31, 2019, expenditures exceeded revenues in the following funds:

General fund	\$ 175,500
Water and sewer enterprise fund	258,994
Narcotics seizure fund	21,138
Victim's rights advocate fund	9,142

The General Fund's expenditures exceeded budget by \$223,459.

C. DEFICIT FUND EQUITY:

No funds reported a deficit fund balances as of March 31, 2019.

IV. DETAILED NOTES ON ALL FUNDS:

A. DEPOSITS AND INVESTMENTS:

The Town maintains its cash accounts at several commercial banks. The cash balances are insured by FDIC up to \$100,000. Cash balances at risk and cash balances shown on the Balance Sheet may differ because of outstanding checks and deposits. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town. During the year and at year end all deposits of the Town were insured or collateralized with securities held by the Town or by its agent in the Town's name.

Deposits at year end, including savings accounts and money market accounts, are carried at cost (fair value) of \$1,861,963 with weighted maturities of less than one year.

Interest rate risk – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment activity to less than twelve months.

Credit risk – The government does not invest in commercial paper or corporate bonds in order to limit its exposure to credit risk.

Concentration of credit risk and custodial risk – The government's investment policy does not allow for an investment in any one issuer that is in excess of amounts pledged by collateralized securities

The State of South Carolina General Statutes permit the Town to invest in the following types of instruments:

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of the State of South Carolina or any of its political subdivisions.
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.
5. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
6. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the Town if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items 1, 2 and 5 above and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Restricted investments, as reported in the government-wide statements, reflects securities held in restricted accounts for specified purposes. The amount included under Net position - restricted for the proprietary fund reflects amounts required by bond ordinance to be set aside as debt service and debt reserve funds, unexpended construction project funds, and customer deposit funds. The amounts included under Net position – restricted in the governmental funds include cash related to a revolving loan account, victims' assistance funds, and other ongoing projects.

B. RECEIVABLES:

Receivables at March 31, 2019, net of applicable allowances for uncollectible accounts are as follows:

Accounts Receivable

Governmental funds

Taxes receivable from Cherokee County	\$ 18,586
Disposal fees	4,084
Local option sales tax/property tax credit funds	21,559
Homestead exemption taxes	55,706
MASC license collections	15,266
SRO reimbursement – school district	28,683
Revenues from the magistrate	4,235
Taxes	61,618
Other	308
Franchise fees	<u>33,298</u>
Total	<u>\$ 243,343</u>

Interfund Receivables

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

C. CAPITAL ASSETS:

A summary of changes in governmental type activities capital assets follows:

	Balance			Balance
	<u>04-01-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>03-31-19</u>
Governmental type activities:				
Land	\$ 244,355	\$	\$	\$ 244,355
Buildings	1,621,288			1,621,288
Infrastructure	324,972			324,972
Equipment	<u>1,662,357</u>	<u>124,832</u>	<u> </u>	<u>1,787,189</u>
Total	3,852,972	124,832		3,977,804
Less: Accumulated Depreciation	<u>(2,312,185)</u>	<u>(113,236)</u>		<u>(2,425,421)</u>
Net Governmental Activities	<u>\$ 1,540,787</u>			<u>\$1,552,383</u>

A summary of business type activities capital assets follows:

	Balance 04-01-18	Additions	Deletions	Balance 03-31-19
Business type activities:				
Land and easements	\$ 59,062	\$	\$	\$ 59,062
Buildings	61,214			61,214
Distribution System	15,904,097	465,090		16,369,187
Equipment	<u>971,613</u>	<u>109,981</u>	<u> </u>	<u>1,081,594</u>
Total	16,995,986	575,071		17,571,057
Less: Accumulated Depreciation	<u>(8,873,059)</u>	(474,925)		<u>(9,347,984)</u>
Net Business Activities	<u>\$ 8,122,927</u>			<u>\$ 8,223,073</u>

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

Governmental Activities:

General Government	\$ 39,324
Police Department	50,579
Street Department	<u>23,333</u>
Total Depreciation Expense - Governmental Activities	<u>\$113,236</u>

Business-Type Activities:

Water Fund	\$316,624
Sewer Fund	<u>158,301</u>
Total Depreciation Expense - Business-Type Activities	<u>\$474,925</u>

Construction commitments:

During the year the Town was a party to construction contracts related to grant-funded water and sewer improvements. Projects were capitalized as different phases were completed. New projects are planned for FY2019.

D. LONG-TERM DEBT:

NOTES AND BONDS PAYABLE:

In 2014, the town issued a \$333,000 Series 2014A general obligation improvement bond to build a history museum. The asset and related obligation are accounted for in the general fund in the government-wide financial statements. The Series 2014A bond is being repaid in 7 annual installments of \$51,296 including interest at 2% per annum beginning July 1, 2015.

The following is a summary of changes in long-term debt for notes payable for the year ended March 31, 2019:

	<u>Balance</u> <u>04-01-18</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>03-31-19</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Museum building	\$195,320	\$	\$47,390	\$147,930	\$ 48,337
Total Governmental Activities	\$195,320	\$	\$47,390	\$147,930	\$ 48,337
<u>Business Type Activities:</u>					
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business Type Activities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

The annual debt service requirements to maturity for the notes payable portion of long-term debt, excluding capital leases reported separately, as of March 31, 2019, are as follows:

GOVERNMENTAL ACTIVITIES

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 48,337	\$ 2,958
2021	49,303	1,992
2022	50,290	1,006
Totals	\$147,930	\$ 5,956

BUSINESS-TYPE ACTIVITIES

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 0	\$ 0
Total	\$ 0	\$ 0

CAPITAL LEASES (LEASE PURCHASE OBLIGATIONS):

The Town has entered into a governmental-type lease/purchase agreement for a police car accounted for as a capital lease. The leased assets are accounted for in the General Fund. The assets under capital leases totaled \$24,136 with accumulated depreciation of \$3,078 at March 31, 2019. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of March 31, 2019.

	<u>Principal</u>	<u>Interest</u>
Year ending March 31, 2020	\$ 7,985	\$ 917
2021	8,570	333
Total Minimum Lease Payments	\$ 16,555	\$ 1,250

The Town has entered into a proprietary type lease/purchase agreements for a backhoe and two trucks accounted for as capital leases. The leased assets are accounted for in the Water and Sewer Fund. The assets under capital leases totaled \$134,695 with accumulated depreciation of \$12,353 at March 31, 2019. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of March 31, 2019.

	<u>Principal</u>	<u>Interest</u>
Year ending March 31, 2020	\$ 40,314	\$ 5,150
2021	42,894	2,570
2022	19,403	461
2023	<u>2,317</u>	<u>31</u>
Total Minimum Lease Payments	<u>\$104,928</u>	<u>\$ 8,212</u>

The following is a summary of changes in lease obligations for the year ended March 31, 2019:

	<u>Balance 04-01-18</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 03-31-19</u>	<u>Due Within One Year</u>
<u>General Long-Term Debt:</u>					
Lease obligations	\$ 0	\$ 24,136	\$ 7,581	\$ 16,555	\$ 7,985
<u>Proprietary Fund:</u>					
Lease obligations	\$ 22,065	\$109,981	\$27,118	\$104,928	\$40,314

OTHER LONG-TERM LIABILITIES:

The following is a summary of accrued compensated absences, OPEB liability and Net Pension Liability at March 31, 2019:

	<u>Accrued absences</u>	<u>OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Total</u>
General Fund	\$ 51,998	\$221,608	\$1,404,975	\$1,678,581
Proprietary Fund	<u>46,163</u>	<u>151,626</u>	<u>903,791</u>	<u>1,101,580</u>
Totals	<u>\$ 98,161</u>	<u>\$ 373,234</u>	<u>\$ 2,308,766</u>	<u>\$2,780,161</u>

In prior years, the general fund has been used to liquidate other long-term liabilities for governmental-type obligations.

V. OTHER INFORMATION:

A. RISK MANAGEMENT:

The Town's risk management combines elements of both self-insurance and purchased insurance policies divided into coverage for comprehensive general liability, automobile liability, automobile physical damage, workers' compensation, property, crime insurance, employee health care insurance, and "all risk" insurance including theft, flood and earthquake. The costs of these policies are accounted for in the General fund.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance pools sponsored by the SC Municipal Insurance and Risk Financing Fund. Workers' compensation is carried by the State Accident Fund. Employee health care is carried by the BlueCross BlueShield of SC. The remaining policies are carried by the State of South Carolina Insurance Reserve Fund.

The workers' compensation policy provides coverage as required by statute. The policies essentially cover the amount of the loss. In the event a claim is settled for an amount exceeding the limits of these policies, the Town would have to pay the excess. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

B. RELATED PARTY TRANSACTIONS:

The Town is not involved in any material related party transactions.

C. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the report issuance date.

D. CONTINGENT LIABILITIES:

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The Town is party to various civil lawsuits and other legal actions. In the opinion of the Town's attorney and management, the ultimate outcome of these suits is not expected to have a significant impact upon the Town's financial position.

The Town participates in a number of federally assisted grant programs and state funded grant programs. These programs are subject to financial compliance audits by the Town's auditors and by auditors of the federal or state grantor agencies. Upon audit, should it be determined that the Town has failed to comply with applicable requirements of the grants, then some or all of the grant expenditures may be disallowed and a portion of the grant expenditure may become reimbursable to the grantor. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for any refunds.

When the Town is a party to construction contracts related to grant-funded improvement contracts that are not completed at year end, the projects are reported as construction in progress in the financial statements.

The Town is involved in various lawsuits in the normal course of business. Management or Town Counsel cannot predict the outcome of the lawsuits or estimate the amount of loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements.

E. EMPLOYEE RETIREMENT SYSTEMS AND OTHER POST-EMPLOYMENT BENEFITS:

Pension Plan:

All employees of the Town participate in one of two defined benefit pension plans, administered by the State of South Carolina. The South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The total payroll for active employees covered by the SCRS for the year ended March 31, 2019 was \$650,700. The total payroll for active employees covered by the PORS for the year ended March 31, 2019 was \$302,923. The payroll for retired members for the year ended March 31, 2019 was \$37,762 for retirees covered by the SCRS and \$154,131 for retirees covered by the PORS.

The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws.

Both employees and the Town are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings. For year ended March 31, 2019, and the years ended March 31, 2018 and 2017, the Town contributed 100% of the required contributions. At year end, contributions by the Town for employees covered by the SCRS and PORS were based on 14.41% and 16.84% of the employees' earnings and amounted to \$97,508 for the year ended March 31, 2019 (SCRS) and \$75,838 (PORS), \$83,626 (SCRS) and \$65,249 (PORS) for the year ended March 31, 2018 and \$68,356 (SCRS) and \$58,265 (PORS) for the year ended March 31, 2017. Employee contributions for the SCRS and PORS were based on 9.00% and 9.75% of the employees' earnings and amounted to \$61,962 for the year ended March 31, 2019 (SCRS) and \$44,563 (PORS), \$57,665 (SCRS) and \$40,897 (PORS) for the year ended March 31, 2018, and \$51,640 (SCRS) and \$38,697 (PORS) for the year ended March 31, 2017.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS is issued and publicly available by writing to South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC, 29211-1960.

At March 31, 2019 the Town reported a liability of \$1,425,089 for its proportionate share of the collective net pension liability of the South Carolina Retirement System and a liability of \$883,677 for its proportionate share of the collective net pension liability of the South Carolina Police Officers Retirement System. The collective net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating South Carolina employers. At March 31, 2019 the System's proportion was 0.006360% for the South Carolina Retirement System and 0.031186% for the South Carolina Police Officers Retirement System. Employer contributions from the Town of Blacksburg used to calculate the proportionate share of liability for the year ended March 31, 2019 were \$83,561 for the South Carolina Retirement System and \$65,818 for the South Carolina Police Officers Retirement System

For the year ended March 31, 2019, the Town's annual actuarially allocated pension cost was \$137,838 for the South Carolina Retirement System and \$107,544 for the South Carolina Police Officers Retirement System. At March 31, 2019, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Difference Between Expended and Actual Experience	\$ 2,572	\$ 8,386
Net Difference between Projected and Actual Earnings on Pension Plan Investments	22,638	
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Employer Contributions	61,824	4,562
The Town's Contributions Subsequent to Measurement Date	97,508	
Assumption changes	<u>56,540</u>	
Total SCRS	<u>241,082</u>	<u>12,948</u>
PORS		
Difference Between Expended and Actual Experience	27,228	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	17,671	
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Employer Contributions	2,308	28,813
The Town's Contributions Subsequent to Measurement Date	75,838	
Assumption changes	<u>58,265</u>	
Total PORS	<u>181,310</u>	<u>28,318</u>

Total SCRS and PORS

\$ 422,392

\$ 41,266

Approximately \$97,508 and \$75,838 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year March 31, 2019. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended March 31,	SCRS	PORS	Total
2020	\$ 74,631	\$ 46,077	\$ 120,708
2021	59,198	29,359	88,557
2022	-1,903	2,087	184
2023	<u>-1,299</u>	<u>-369</u>	<u>-1,668</u>
Total	\$ <u>130,627</u>	\$ <u>77,154</u>	\$ <u>207,781</u>

GENERAL INFORMATION ABOUT THE PENSION PLAN

Description of the Entity

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 co-trustees 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 Descriptions

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 partic-

ipating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

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

Membership

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

- ☐ SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- ☐ PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

☐

☐ **Benefits**

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

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

pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 eighty-five 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 eighty-five 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 eighty-five 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 eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2019¹</u>	<u>Fiscal Year 2018¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

State ORP

Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2019¹</u>	<u>Fiscal Year 2018¹</u>
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

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

Actuarial Assumptions and Methods

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, 2015.

The June 30, 2018, 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, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

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

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

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.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns 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 2018 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.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Discount Rate

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

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 28,631,746,951	\$ 22,406,813,697	\$ 17,956,582,707
PORS	3,819,969,291	2,833,542,426	2,025,575,990

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting ac-

tuarial valuation as of June 30, 2018.

Differences Between Expected and Actual Experience

At March 31, 2019, the Town reported liabilities of approximately \$1,425,089 and \$883,677 for its proportionate share of the net pension liability for the SCRS and PORS ("Plans") respectively. The net pension liabilities were measured as of June 30, 2018

Payable to the Pension Plan

At March 31, 2019, the Town reported a payable of \$20,478 for the regular monthly outstanding amount of contributions to the pension plan required for the year ended March 31, 2019.

Other post-employment benefits plan:

Plan description

Beginning in fiscal year 2010, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45 prospectively for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment healthcare. The funding methodology mirrors the funding approach used for pension benefits.

The Town provides post-retirement health benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. The Town of Blacksburg OPEB Plan (plan) is approved each year by Town Council. The plan is a single member defined benefit OPEB plan administered internally by the Town. Information about the plan is included in the Town's entity-wide financial statements. Participants must be eligible to retire under the South Carolina Retirement System (SCRS or PORS) to receive the benefits upon retirement. In addition, the retiree must meet one of the following criteria:

1. Age 59½ - 65
2. 28 years' service with the Town

The Town provides the following option to its retirees:

Retirees can elect to stay on the Town's group insurance plan and pay all costs. This allows retirees to cover a spouse. The cost of coverage for pre-65 retirees is implicitly subsidized by the Town.

The plan does not include a disability benefit.

The plan does not include a special pre-retirement death benefit.

The plan does not include a special withdrawal benefit.

Service is determined from date of hire.

Retirees pay 100 percent of the health insurance premiums. The Town's regular health insurance providers underwrite the retiree's policies.

2. Funding policy:

As of March 31, 2019, there were 29 participants in the plan eligible to receive future benefits, of which there were 28 members in active service. The Town currently finances the plan on a pay-as-you-go basis. For the year ended March 31, 2019, Town recognized pay-as-you-go expenses of \$0 for healthcare net of retiree contributions in the current and all prior years.

Total OPEB Liability: In previous years, the Town has reported a net OPEB obligation (liability) consisting of the difference between the annual required contribution into the plan and the actual contributions made by the Town. New reporting standards (GASB 75) require employers to determine the total OPEB liability using the entry age normal actuarial funding method and to report a net OPEB liability consisting of the difference be-

tween the total OPEB liability and the plan's fiduciary net position.

Total OPEB Liability March 31	2018 restated	2019
Total OPEB liability	\$ 334,927	\$ 373,234
Covered payroll	1,072,572	1,145,516
Total OPEB liability as a % of covered payroll	31.23%	32.58%

The total OPEB liability was determined by an actuarial valuation as of March 31, 2019, the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

Discount Rate

Discount rate March 31 2018/2019	3.61%	3.42%
20 Year Tax-Exempt Municipal Bond Yield March 31 2018/19	3.61%	3.42%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed

Valuation date	March 31, 2018	March 31, 2019
Measurement date	March 31, 2018	March 31, 2019
Actuarial cost method	Entry age normal	Entry age normal
Medical Trend Rate	6.0% over 10 years	6.0% over 10 years
Salary increases including inflation	1.00%	1.00%

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about future events and costs. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

Changes in Total OPEB Liability

Increase (Decrease) Total OPEB Liability

Balance as of March 31, 2018, as previously reported	\$ 334,927
Restatement adjustment in accordance with GASB 75	13,229
Balance as of March 31, 2018, as restated	\$ 348,156
Changes for the year	
Service cost	30,454
Interest on total OPEB liability	13,668
Effect of plan changes	-
Effect of economic/demographic gains or losses	(29,082)
Effect of assumptions changes or inputs	10,038

Benefit payments_ (-)
 Balance as of March 31, 2019 \$ 373,234

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.42%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.42%) or 1 percentage point higher (4.42%) than the current rate.

Total OPEB Liability		
1% Decrease 2.42%	Discount Rate 3.42%	1% Increase 4.42%
\$432,057	\$373,234	\$323,491

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

Total OPEB Liability		
1% Decrease	Current Trend Rate	1% Increase
\$330,075	\$373,234	\$425,089

The calculation of OPEB Expense for the year ended March 31, 2019 is as follows:

OPEB Expense

	April 1, 2018 to March 31, 2019
Service cost	\$ 30,454
Interest on total OPEB liability	13,668
Effect of plan changes	-
Effect of economic/demographic gains or losses	(29,082)
Effect of assumptions changes or inputs	10,038
Benefit payments_	(-)
OPEB Expense	<u>\$ 25,078</u>

As of March 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources

	Deferred Inflows Of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment

Year ended March 31:

2019	-
2020	-
2021	-
2022	-
2023	-
Thereafter*	-

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

*Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Changes in Total OPEB Liability and Related Ratios

	Fiscal Year Ending <u>March 31, 2019</u>
Total OPEB Liability	
Service cost	\$30,454
Interest on total OPEB liability	13,668
Effect of plan changes	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(29,082)
Benefit payments	<u>10,038</u>
Net change in total OPEB liability	<u>\$25,078</u>
Covered payroll	\$1,145,516
Total OPEB liability as a % covered payroll	32.58%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

F. LONG-TERM WATER CONTRACT:

On August 24, 2011, the Town of Blacksburg negotiated a twenty (20) year contract with the Board of Public Works of Gaffney, South Carolina, to purchase water. The total water purchases for the fiscal year 2019 were \$310,362.

G. INTERFUND TRANSACTIONS:

During the course of normal operations, the Town has various transactions between funds, including expenditures and transfers of resources to provide services.

H. CONTRIBUTED CAPITAL AND GRANTS:

During the fiscal year the Town had several projects designed to upgrade, relocate and extend water and sewer lines. These projects are generally funded by Federal grants, State grants, and community contributions. Amounts contributed to the Town during the year include the following:

Community Development Block Grant/ARC Sewer Improvements \$260,942

Cherokee County School District SRO Officer, Vehicle Reimbursement, & Crossing Guard \$110,991

The Town participates in the State of South Carolina Local Option Sales Tax program in which it receives a portion of the sales tax funds collected by the state. Funds received from the State are allocated between a general revenue account and a property tax credit fund account. Funds deposited in the property tax credit fund account in excess of the amount provided for property tax relief in the current year are recorded as a liability and must be applied as a credit against property tax bills in the following year. When calculating the next fiscal year's tax credit factor, the Town must consider any surplus funds in the property tax credit fund account when projecting future collections.

I. TAX ABATEMENTS:

The Town was subject to no tax abatements that affected revenues for fiscal year 2019.

J. PRIOR PERIOD ADJUSTMENT – RESTATEMENT:

Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending March 31, 2019. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period. The impact of the change is to increase net position of the governmental activities at April 1, 2018 by \$10,030, and to decrease net position of the enterprise fund/business-type activities by \$23,259. The reporting change had no effect on current year operations of the Town's governmental-type funds in the "fund financial statements".

Town of Blacksburg
Schedule Of Changes In Total OPEB Liability And Related Ratios
March 31, 2019

Total OPEB Liability

Service costs	\$ 30,454
Interest on total OPEB liability	13,668
Effect of plan changes	
Effect of economic/demographic gains or (losses)	(29,082)
Effect of assumption changes or inputs	10,038
Benefit payments	<u>-</u>

Net change in total OPEB liability	<u>\$ 25,078</u>
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Covered payroll	\$1,145,516
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Total OPEB liability as a % covered payroll	32.58%
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See accompanying notes to OPEB required supplementary information.

Town of Blacksburg, South Carolina
SCHEDULE OTHER POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS AND
FUNDING STATUS
For the Fiscal Year Ended March 31, 2019

The following is a schedule of annual OPEB costs, employer contributions, and funding status for Other Postemployment Benefits. This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

	<u>Annual OPEB Cost</u>	<u>Costs Contributed</u>	<u>Funded Percentage</u>
March 31, 2019	\$ 25,078	\$ 0	0 %

The accompanying notes to the financial statements are an integral part of this statement.

Town of Blacksburg, SC
Notes To OPEB Required Supplementary Information
For The Year Ended March 31, 2019

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of March 31, 2018, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended March 31, 2019 reported in that schedule can be found in the notes to the basic financial statements.

Town of Blacksburg
Schedule of the Town Proportionate Share of the Net Pension Liability
As of March 31, 2019
For the Last 10 Years*

<u>SCRS</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the net pension liability	.006437%	.005882%	.006096%	.006360%
Proportionate share of the net pension liability	\$1,108,238	\$1,256,387	\$1,372,308	\$1,425,089
Covered-employee payroll	\$565,561	\$605,595	\$647,177	\$688,461
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	195.9538%	207.4632%	212.0452%	206.9963%
Plan's fiduciary net position	\$25,738,521,026	\$23,996,362,354	\$25,732,829,268	\$26,414,916,370
Plan's total pension liability	\$42,955,205,796	\$45,356,214,752	\$48,244,437,494	\$48,821,730,067
Plan fiduciary net position as a percentage of the total pension liability	59.9%	52.9%	53.3%	54.1%

Notes to the schedule:

Benefit changes – none

Changes in assumptions - none

*Fiscal year 2019 was the 4th year of implementation, therefore only four years are shown.

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

Town of Blacksburg
Schedule of the Town Proportionate Share of the Net Pension Liability
As of March 31, 2019
For the Last 10 Years*

<u>PORS</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the net pension liability	.03268%	.03269%	.03198%	.031186%
Proportionate share of the net pension liability	\$625,692	\$829,148	\$876,194	\$883,677
Covered-employee payroll	\$423,594	\$424,624	\$425,395	\$457,055
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	147.7103%	195.2664%	205.9719%	193.3415%
Plan's fiduciary net position	\$3,985,101,996	\$3,876,035,732	\$4,274,123,178	\$4,570,430,247
Plan's total pension liability	\$5,899,529,434	\$6,412,510,458	\$7,013,684,001	\$7,403,972,673
Plan fiduciary net position as a percentage of the total pension liability	67.5%	60.4%	60.9%	\$61.7%

Notes to the schedule:

Benefit changes – none

Changes in assumptions - none

*Fiscal year 2019 was the 4th year of implementation, therefore only four years are shown.

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

Town of Blacksburg
Schedule of the Town's Contributions to the Pension Plan
As of March 31, 2019
For the Last 10 Years*

<u>SCRS</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$77,675	\$87,581	\$124,954	\$137,838
Contributions in relation to the actuarially determined contributions	<u>60,024</u>	<u>69,264</u>	<u>83,626</u>	<u>97,508</u>
Contributions deficiency (excess)	<u>\$ 17,651</u>	<u>\$ 18,317</u>	<u>\$ 41,328</u>	<u>\$ 40,330</u>
Covered-employee payroll	\$565,561	\$605,595	\$647,177	\$688,461
Contractually required contributions as a percentage of covered-employee payroll	13.73%	14.46%	19.31%	20.02%

Notes to schedule:

The amounts presented for each fiscal year were determined as of March 31st of the preceding year.

*Fiscal year 2019 was the 4th year of implementation, therefore only four years are shown.

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

Town of Blacksburg
Schedule of the Town's Contributions to the Pension Plan
As of March 31, 2019
For the Last 10 Years*

<u>PORS</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 54,740	\$89,446	\$104,627	\$107,544
Contributions in relation to the actuarially determined contributions	<u>53,900</u>	<u>59,963</u>	<u>65,249</u>	<u>75,838</u>
Contributions deficiency (excess)	<u>\$ 840</u>	<u>\$29,483</u>	<u>\$39,378</u>	<u>\$31,706</u>
Covered-employee payroll	\$423,594	\$424,624	\$425,395	\$457,055
Contractually required contributions as a percentage of covered-employee payroll	12.92%	21.06%	24.60%	23.53%

Notes to schedule:

The amounts presented for each fiscal year were determined as of March 31st of the preceding year.

*Fiscal year 2019 was the 4th year of implementation, therefore only four years are shown.

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

Town of Blacksburg
Schedule of the Town's Contributions to the Pension Plan
As of March 31, 2019

Methods and assumptions used to determine contribution rates:

SCRS

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	30 year capital market assumptions
Inflation	2.25%
Salary increases	3.0% to 12.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually
Investment rate of return	7.25%
Retirement age	55 years old with 25 years of service
Mortality	2016 PRSC Male/Female Tables multiplied by 100%/111%respectively

PORS

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	30 year capital market assumptions
Inflation	2.25%
Salary increases	3.5% to 9.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually
Investment rate of return	7.25%
Retirement age	55 years old with 27 years of service
Mortality	2016 PRSC Male/Female Tables multiplied by 125%/111%respectively

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

Town of Blacksburg, SC
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2019

	<u>Museum Fund</u>	<u>Narcotics Seizure Fund</u>	<u>Victim's Rights Advocate Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 11,421	\$ 14,563	\$ 13,171	\$ 39,155
Total assets	<u>\$ 11,421</u>	<u>\$ 14,563</u>	<u>\$ 13,171</u>	<u>\$ 39,155</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to/from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for -				
Drug enforcement	-	14,563	-	14,563
Victims assistance	-	-	13,171	13,171
Assigned for museum maintenance & park	11,421	-	-	11,421
Total fund balances	<u>11,421</u>	<u>14,563</u>	<u>13,171</u>	<u>39,155</u>
Total liabilities and fund balances	<u>\$ 11,421</u>	<u>\$ 14,563</u>	<u>\$ 13,171</u>	<u>\$ 39,155</u>

Town of Blacksburg, SC
Combining Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2019

	Museum Fund	Narcotics Seizure Fund	Victim's Rights Advocate Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	6,419	4,009	10,428
Property sales	10,000	-	-	10,000
Total revenues	10,000	6,419	4,009	20,428
EXPENDITURES				
Current:				
General government	-	-	-	-
Police department	-	9,257	13,151	22,408
Capital outlay:				
General government	-	-	-	-
Police department	-	18,300	-	18,300
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	27,557	13,151	40,708
Excess (deficiency) of revenues over (under) expenditures before other sources & (uses)	10,000	(21,138)	(9,142)	(20,280)
OTHER FINANCING SOURCES & USES	-	-	-	-
Net change in fund balances	10,000	(21,138)	(9,142)	(20,280)
Fund balances - beginning	1,421	35,701	22,313	59,435
Fund balances - ending	\$ 11,421	\$ 14,563	\$ 13,171	\$ 39,155

Town of Blacksburg, South Carolina
Statement of Assets and Liabilities - Agency Funds
Fiduciary Funds
March 31, 2019

	Police Seizure Agency Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 39,573
Total current assets	<u>39,573</u>
 Total assets	 <u><u>\$ 39,573</u></u>
 LIABILITIES	
Liabilities:	
Current liabilities	
Accounts payable	\$ 39,573
Total current liabilities	<u>39,573</u>
 Total liabilities	 <u><u>\$ 39,573</u></u>

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

TOWN OF BLACKSBURG
SCHEDULE OF FINES AND ASSESSMENTS
FOR THE YEAR ENDED MARCH 31, 2019

Court Fines:

Court fines collected	\$ 16,181
Court fines retained by the Town	<u>(16,181)</u>

Court Fines Remitted to the State Treasurer	\$ <u>-0-</u>
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Court Assessments & Surcharges

Court assessments & surcharges collected	\$ 32,583
Court assessments & surcharges retained by the Town	<u>(4,171) *</u>

Court Assessments & Surcharges Remitted to the State Treasurer	\$ <u>28,412</u>
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Victim Assistance Fund Activity (Cash Basis)

Carryforward of Victim Assistance Fund balance from prior year	\$ 22,313
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Revenues:

Transfers from General Fund during the year based on funds received from the Magistrate's Office (cash basis)	4,009 *
General fund reimbursements for prior year expenditures	867

Expenditures:

Victim assistant services expenditures – operating expenditures	<u>(14,018)</u>
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Funds Available for Carryforward	\$ <u>13,171</u>
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* Note: The Court Assessments & Surcharges amount shown above is based on a summary of the monthly reports sent to the State Treasurer (accrual basis); however, the amount shown above for revenue transfers from the General Fund to the Victims Assistance Fund is reported on the cash flow basis resulting in a one month timing difference.

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

TERRY R. FANT, PA
CERTIFIED PUBLIC ACCOUNTANT
309 WEST MAIN STREET
UNION, SOUTH CAROLINA 29379

**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 Town Council
Town of Blacksburg, SC

I 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 Blacksburg, SC, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Blacksburg, SC's basic financial statements and have issued my report thereon dated June 18, 2019.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies (See 2019.1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blacksburg, SC's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

TOWN OF BLACKSBURG
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2019

Significant Control Deficiencies:

Finding 2019-1 Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

The auditor drafted the financial statements, including footnote disclosure, due to the fact that the Town of Blacksburg does not have the ability to independently prepare or review financial statements and related footnote disclosures. As such, there were no controls in place to detect misstatements in this area.

Recommendation – Just as most other small governments, the Town of Blacksburg considers it to be cost prohibitive to hire a full-time finance director with the training and experience necessary to be able to prepare and understand financial statements. To strengthen control, the Town should appoint someone on staff to begin developing the skills needed to provide oversight in this area.

Corrective Action - Management has appointed the Town Administrator to perform a detailed review of the draft financial statements with the auditor in an effort to begin developing a level of understanding necessary to assume responsibility for financial statement preparation and to prevent and detect misstatements.

Conclusion - Response accepted

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