

Town of Iva, South Carolina

**Annual Financial Statements
For the Year Ended June 30, 2019**

TOWN OF IVA, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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To the Town Council
Town of Iva, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Iva, South Carolina as of June 30, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Iva, South Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash

flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the pension plan 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Iva, South Carolina's basic financial statements. The budgetary comparison schedule – proprietary fund and schedule of fines, assessments, surcharges and other fees – for state treasurer requirements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

A handwritten signature in black ink, appearing to read "Stanislav Coolidge" followed by a stylized flourish.

Seneca, South Carolina
January 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The management of the Town of Iva ("Town") offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019 ("FY 2019" or "2019") compared to the fiscal year ended June 30, 2018 ("FY 2018" or "2018"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

Management believes the Town's general fund is in fair financial condition. However, the water and sewer fund is in very serious condition. The following are key financial highlights:

- The total government-wide net position at the close of the most recent fiscal year was \$3,273,804. The entire balance is restricted.
- The government-wide net position increased by \$148,398 or 4.8%.
- Long term debt increased by \$139,980 or 9.5%.
- The total assets of the governmental funds were exceeded by liabilities by \$116,510.
- The governmental fund balances decreased by \$78,731, or 208%.
- The governmental revenues were \$1,444,789 which was more than governmental expenditures of \$1,108,992.
- The proprietary funds reported a decrease in net position of \$187,399.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide a broad overview of the Town's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the Town's financial position. All assets and liabilities of the Town are included in the Statement of Net Position.

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

The *Statement of Activities* presents information showing how the Town's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the Town, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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

Fund Financial Statements

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

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

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

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

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

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the year ended June 30, 2019 and June 30, 2018.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the Town. The combined net position (governmental activities and business-type activities) exceeded liabilities by \$3,273,804 at the close of the most recent year.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$140,268	\$152,123	\$81,342	\$86,728	\$221,610	\$238,851
Restricted assets	-	-	26,052	2,552	26,052	2,552
Capital assets	1,755,888	1,302,368	4,559,404	4,708,181	6,315,292	6,010,549
Total assets	<u>1,896,156</u>	<u>1,454,491</u>	<u>4,666,798</u>	<u>4,797,461</u>	<u>6,562,954</u>	<u>6,251,952</u>
Deferred Outflows of Resources	<u>160,352</u>	<u>312,360</u>	<u>8,820</u>	<u>6,527</u>	<u>169,172</u>	<u>318,887</u>
Current liabilities	256,778	189,902	920,158	818,457	1,176,936	1,008,359
Non-current liabilities	494,910	1,001,823	1,182,251	1,240,588	1,677,161	2,242,411
Total liabilities	<u>751,688</u>	<u>1,191,725</u>	<u>2,102,409</u>	<u>2,059,045</u>	<u>2,854,097</u>	<u>3,250,770</u>
Deferred Inflows of Resources	<u>581,808</u>	<u>187,911</u>	<u>22,417</u>	<u>6,752</u>	<u>604,225</u>	<u>194,663</u>
Net position:						
Invested in capital assets, net of related debt	1,326,883	1,038,263	3,379,793	3,503,650	4,706,676	4,541,913
Restricted	6,428	4,323	26,052	2,552	32,480	6,875
Unrestricted	<u>(610,299)</u>	<u>(655,371)</u>	<u>(855,053)</u>	<u>(768,011)</u>	<u>(1,465,352)</u>	<u>(1,423,382)</u>
Total net position	<u>\$723,012</u>	<u>\$387,215</u>	<u>\$2,550,792</u>	<u>\$2,738,191</u>	<u>\$3,273,804</u>	<u>\$3,125,406</u>

Total net position increased \$148,398 in fiscal year 2019. The governmental activities increased \$335,797, while the business-type activities decreased \$187,399.

Net position reflects the Town's investment in capital assets (buildings, equipment, etc.) less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town's investment in its capital assets must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net position represents \$32,480 of resources that are subject to external restrictions on how they may be used. Restricted net position totaled \$6,428 for governmental activities and \$26,052 for business-type activities. Unrestricted net position totaled (\$610,299) for governmental activities and (\$855,053) for business-type activities.

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Changes in Net position

The following table shows the revenues and expenses of the Town for the fiscal years ended June 30, 2019 and June 30, 2018.

	<u>Changes in Net position</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues:						
Charges for services	\$172,283	\$179,332	\$595,802	\$587,272	\$768,085	\$766,604
Operating grants and contributions	260,275	251,386	-	-	260,275	251,386
Capital grants and contributions	427,133	28,336	-	33,270	427,133	61,606
General revenues:		-				
Property taxes	482,342	479,543	-	-	482,342	479,543
PILT/Franchise Fees	75,802	72,842	-	-	75,802	72,842
Miscellaneous	54,568	87,710	-	-	54,568	87,710
Hospitality income	68,452	54,603	-	-	68,452	54,603
Intergovernmental	20,753	54,895	-	-	20,753	54,895
Interfund Transfers	(116,827)	(46,091)	116,827	46,091	-	-
Unrestricted earnings	<u>8</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>10</u>
Total revenues	<u>1,444,789</u>	<u>1,162,566</u>	<u>712,629</u>	<u>666,633</u>	<u>2,157,418</u>	<u>1,829,199</u>
Expenses						
General government	416,483	453,523	-	-	416,483	453,523
Public safety	627,689	671,893	-	-	627,689	671,893
Recreation and Tourism	53,486	27,204	-	-	53,486	27,204
Interest	11,334	14,070	-	-	11,334	14,070
Water and Sewer	-	-	869,902	818,536	869,902	818,536
Cemetery	-	-	30,126	37,911	30,126	37,911
Total expenses	<u>1,108,992</u>	<u>1,166,690</u>	<u>900,028</u>	<u>856,447</u>	<u>2,009,020</u>	<u>2,023,137</u>
Change in Net Position	335,797	(4,124)	(187,399)	(189,814)	148,398	(193,938)
Net Position - Beginning	<u>387,215</u>	<u>391,339</u>	<u>2,738,191</u>	<u>2,928,005</u>	<u>3,125,406</u>	<u>3,319,344</u>
Net Position - Ending	<u>\$723,012</u>	<u>\$387,215</u>	<u>\$2,550,792</u>	<u>\$2,738,191</u>	<u>\$3,273,804</u>	<u>\$3,125,406</u>

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Governmental activities

Governmental activities increased the Town's net position by \$332,928. Key elements of this increase were as follows:

- Charges for services were \$172,283
- Property tax and franchise tax revenues were \$558,144
- Capital grants were \$427,133

Business-type activities

Business-type activities decreased the Town's net position by \$186,589 or 7%. The proprietary fund's key highlights for the fiscal year consisted of:

- Operating net loss before depreciation of \$133,477
- Water and Sewer expenses decreased net position by \$847,930
- Charges for services increased by \$8,530

Financial Analysis of the Town's Funds

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

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

The Town's governmental funds reported a fund balance of (\$116,510), of which (\$122,938) is unassigned. The remainder of the fund balance of \$6,428 is restricted, nonspendable or assigned to indicate it is not available for new spending and consists of recreation and tourism.

The General Fund is the chief operating fund of the Town and accounts for many of the major functions of the government including general government and public safety. The fund balance decreased \$80,001 or 190% during the current fiscal year.

Proprietary funds – The Town's proprietary funds reported ending net position of \$2,551,602 at June 30, 2019. \$3,379,791 of net position is invested in capital assets, net of related debt. Funds restricted totaled \$26,052. Unrestricted net position had a deficit balance of (\$854,241) at June 30, 2019.

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are included for the governmental and hospitality tax funds. These statements compare the original adopted budget, the final budget and the actual revenues and expenditures prepared on a budgetary basis. Amendments to the adopted budget may occur throughout the year in a legally permissible manner.

Budgetary comparison highlights for the General and Proprietary funds are as follows:

- General Fund revenues of \$1,477,064 exceeded budgeted revenues of \$1,009,255 by \$467,809 or 46%, while expenditures of \$1,566,009 exceeded budgeted expenditures of \$1,039,255 by \$526,754 or 51%. The increase in

TOWN OF IVA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

revenues is primarily due to a positive variance in property taxes, intergovernmental revenue, and licenses, permits and fees. Public safety expenditures accounted for approximately \$139,231 of the increase in expenditures.

- Hospitality Tax Fund revenues of \$68,452 was higher than budgeted revenues of \$60,000 by \$8,452 or 14%, while expenditures of \$179,644 were higher than budgeted expenditures of \$60,000 by \$119,644 or 199%
- Proprietary Funds revenue of \$595,802 was lower than budgeted revenues of \$644,000 by \$48,198 or 7.5%. Expenses of \$878,056 exceeded budgeted expenses of \$696,050 by \$182,006 or 26%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Town’s investment in capital assets for its governmental and business-type activities amounts to \$6,315,292 (net of accumulated depreciation.) This investment in capital assets includes buildings, furniture and fixtures, and vehicles.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 284,262	\$ 284,262	\$ 53,107	\$ 53,107	\$ 337,369	\$ 337,369
Construction in Progress	-	45,957	-	-	-	45,957
Buildings and Improvements	1,407,866	909,528	-	-	1,407,866	909,528
Vehicles and Equipment	63,760	62,621	-	-	63,760	62,621
Infrastructure	-	-	4,506,297	4,655,074	4,506,297	4,655,074
Total	\$ 1,755,888	\$ 1,302,368	\$ 4,559,404	\$ 4,708,181	\$ 6,315,292	\$ 6,010,549

Additional information on the Town’s capital assets can be found in Note 3 of the notes to the financial statements.

Debt administration – As of June 30, 2019, the Town had \$1,608,616 bonds payable and other debt payable for its government-wide activities. This is an increase of \$139,980 over the previous year amount of \$1,468,636.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds	\$ 347,658	\$ 195,689	\$ 1,179,611	\$ 1,204,531	\$ 1,527,269	\$ 1,400,220
Other Debt	81,347	68,416	-	-	81,347	68,416
Total	\$ 429,005	\$ 264,105	\$ 1,179,611	\$ 1,204,531	\$ 1,608,616	\$ 1,468,636

Additional information on the Town's long-term debt can be found in Note 4 of the notes to the financial statements.

Request for information

This financial report is designed to provide a general overview of the Town of Iva’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mayor, Town of Iva, PO Box 188, Iva, SC 29655.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Other Cash Deposits - Restricted	\$ 2,155	\$ -	\$ 2,155
Taxes Receivable	6,607	-	6,607
Accounts Receivable	124,287	73,592	197,879
Due from Other Governments	7,219	-	7,219
Bond Issuance Costs	-	7,750	7,750
RESTRICTED ASSETS:			
Cash and Other Cash Deposits	-	26,052	26,052
CAPITAL ASSETS:			
Non - Depreciable	284,262	53,107	337,369
Depreciable	2,574,004	6,111,871	8,685,875
Less Accumulated Depreciation	(1,102,378)	(1,605,574)	(2,707,952)
TOTAL ASSETS	1,896,156	4,666,798	6,562,954
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	160,352	8,820	169,172
TOTAL DEFERRED OUTFLOWS OF RESOURCES	160,352	8,820	169,172
LIABILITIES			
Cash Overdraft	20,765	-	20,765
Accounts Payable	84,777	849,980	934,757
Accrued Liabilities	151,236	26,266	177,502
Customers Deposits	-	43,912	43,912
NON-CURRENT LIABILITIES			
DUE WITHIN ONE YEAR:			
Bonds Payable	66,262	25,412	91,674
DUE IN MORE THAN ONE YEAR:			
Bonds Payable	362,743	1,154,199	1,516,942
Net Pension Liability	65,905	2,640	68,545
TOTAL LIABILITIES	751,688	2,102,409	2,854,097
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	581,808	22,417	604,225
TOTAL DEFERRED INFLOWS OF RESOURCES	581,808	22,417	604,225
NET POSITION			
Net Investment in Capital Assets	1,326,883	3,379,793	4,706,676
Restricted For:			
Recreation and Tourism	6,428	-	6,428
Sewer Improvements	-	26,052	26,052
Unrestricted	(610,299)	(855,053)	(1,465,352)
TOTAL NET POSITION	\$ 723,012	\$ 2,550,792	\$ 3,273,804

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

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE 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:							
GOVERNMENTAL ACTIVITIES							
General Administration	\$ 416,483	\$ 132,989	\$ -	\$ -	\$ (283,494)	\$ -	\$ (283,494)
Public Safety	627,689	39,294	260,275	427,133	99,013	-	99,013
Recreation and Tourism	53,486	-	-	-	(53,486)	-	(53,486)
Interest on Long-Term Debt	11,334	-	-	-	(11,334)	-	(11,334)
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,108,992</u>	<u>172,283</u>	<u>260,275</u>	<u>427,133</u>	<u>(249,301)</u>	<u>-</u>	<u>(249,301)</u>
BUSINESS-TYPE ACTIVITIES							
Water and Sewer Activity	869,902	557,603	-	-	-	(312,299)	(312,299)
Cemetery	30,126	38,199	-	-	-	8,073	8,073
TOTAL BUSINESS-TYPE ACTIVITIES	<u>900,028</u>	<u>595,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,226)</u>	<u>(304,226)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,009,020</u>	<u>\$ 768,085</u>	<u>\$ 260,275</u>	<u>\$ 427,133</u>	<u>(249,301)</u>	<u>(304,226)</u>	<u>(553,527)</u>
GENERAL REVENUES:							
Property Taxes, Levied for General Purposes					482,342	-	482,342
Hospitality Tax					68,452	-	68,452
State Accommodation Taxes					122	-	122
Payments in Lieu of Taxes and Franchise Fees					75,802	-	75,802
Grants and Contributions not Restricted to Specific Programs					20,631	-	20,631
Interest Income					8	-	8
Interfund Transfer					(116,827)	116,827	-
Miscellaneous					54,568	-	54,568
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					<u>585,098</u>	<u>116,827</u>	<u>701,925</u>
CHANGE IN NET POSITION					<u>335,797</u>	<u>(187,399)</u>	<u>148,398</u>
NET POSITION - BEGINNING					<u>387,215</u>	<u>2,738,191</u>	<u>3,125,406</u>
NET POSITION - ENDING					<u>\$ 723,012</u>	<u>\$ 2,550,792</u>	<u>\$ 3,273,804</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE		TOTAL
		HOSPITALITY TAX FUND	VICTIM'S ASSISTANCE FUND	
ASSETS				
Cash and Other Cash Deposits - Restricted	\$ 2,155	\$ -	\$ -	\$ 2,155
Taxes Receivable	6,607	-	-	6,607
Accounts Receivable	118,694	5,593	-	124,287
Due from Other Governments	7,219	-	-	7,219
TOTAL ASSETS	\$ 134,675	\$ 5,593	\$ -	\$ 140,268
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash Overdraft	20,765	-	-	20,765
Accounts Payable	84,777	-	-	84,777
Accrued Liabilities	151,236	-	-	151,236
TOTAL LIABILITIES	256,778	-	-	256,778
FUND BALANCES:				
Restricted For:				
Recreation and Tourism	835	5,593	-	6,428
Unassigned:	(122,938)	-	-	(122,938)
TOTAL FUND BALANCE	(122,103)	5,593	-	(116,510)
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,675	\$ 5,593	\$ -	\$ 140,268

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

TOWN OF IVA, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Fund balances - total governmental funds \$ (116,510)

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$2,858,266 and the accumulated depreciation was \$1,102,378. 1,755,888

The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (487,361)

Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. (429,005)

Net position of governmental activities \$ 723,012

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE		TOTAL
		HOSPITALITY TAX FUND	VICTIM'S ASSISTANCE FUND	
REVENUES				
Property Taxes	\$ 482,342	\$ -	\$ -	\$ 482,342
Intergovernmental Revenue	708,161	-	-	708,161
Payment in Lieu of Taxes and Franchise Fees	75,802	-	-	75,802
Licenses, Permits and Fees	146,620	-	-	146,620
Fines and Forfeitures	19,866	-	-	19,866
Hospitality Income	-	68,452	-	68,452
Interest Income	8	-	-	8
Miscellaneous and Other	44,265	-	-	44,265
TOTAL REVENUES	1,477,064	68,452	-	1,545,516
EXPENDITURES				
CURRENT OPERATING:				
General Administration	423,199	-	-	423,199
Public Safety	677,731	-	1,868	679,599
Recreation and Tourism	19,457	34,029	-	53,486
DEBT SERVICE:				
Principal	37,177	21,923	-	59,100
Interest	9,296	2,038	-	11,334
Capital Expenditures	399,149	121,654	-	520,803
TOTAL EXPENDITURES	1,566,009	179,644	1,868	1,747,521
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,945)	(111,192)	(1,868)	(202,005)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In (Out)	(31,157)	(87,538)	1,868	(116,827)
Sale of Capital Assets	16,101	-	-	16,101
Proceeds of Debt Issuance	24,000	200,000	-	224,000
TOTAL OTHER FINANCING SOURCES AND (USES)	8,944	112,462	1,868	123,274
NET CHANGE IN FUND BALANCES	(80,001)	1,270	-	(78,731)
FUND BALANCES - BEGINNING	(42,102)	4,323	-	(37,779)
FUND BALANCES - ENDING	\$ (122,103)	\$ 5,593	\$ -	\$ (116,510)

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

TOWN OF IVA, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ (78,731)
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$67,282 was exceeded by capital asset additions of \$520,803 in the current period.	453,521
The issuance of long-term obligations provides current financial resources to government funds, but issuing debt or entering into lease purchase obligations also increases long-term liabilities in the Statement of Net Position.	(224,000)
Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	59,100
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	<u>125,907</u>
Change in net position of governmental activities	<u>\$ 335,797</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2019

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS:			
Accounts Receivable, Net	\$ 73,592	\$ -	\$ 73,592
TOTAL CURRENT ASSETS	<u>73,592</u>	<u>-</u>	<u>73,592</u>
NON-CURRENT ASSETS:			
Bond Issuance Cost	7,750	-	7,750
RESTRICTED ASSETS:			
Cash and Other Cash Deposits	26,052	-	26,052
CAPITAL ASSETS:			
Land	53,107	-	53,107
Buildings	55,488	-	55,488
Vehicles	22,058	-	22,058
Water Lines and Facilities	5,972,618	-	5,972,618
Machinery and Equipment	49,867	11,840	61,707
Less Accumulated Depreciation	(1,593,734)	(11,840)	(1,605,574)
TOTAL CAPITAL ASSETS	<u>4,559,404</u>	<u>-</u>	<u>4,559,404</u>
TOTAL NON-CURRENT ASSETS	<u>4,593,206</u>	<u>-</u>	<u>4,593,206</u>
TOTAL ASSETS	<u>4,666,798</u>	<u>-</u>	<u>4,666,798</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	8,820	-	8,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,820</u>	<u>-</u>	<u>8,820</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	849,980	-	849,980
Other Accrued Liabilities	26,266	-	26,266
Customer Deposits	43,912	-	43,912
TOTAL CURRENT LIABILITIES	<u>920,158</u>	<u>-</u>	<u>920,158</u>
NON-CURRENT LIABILITIES:			
Bonds Payable	1,179,611	-	1,179,611
Net Pension Liability	2,640	-	2,640
TOTAL LIABILITIES	<u>2,102,409</u>	<u>-</u>	<u>2,102,409</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	22,417	-	22,417
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,417</u>	<u>-</u>	<u>22,417</u>
NET POSITION			
Net Investment in Capital Assets	3,379,793	-	3,379,793
Restricted For:			
Sewer Improvements	26,052	-	26,052
Unrestricted:	(855,053)	-	(855,053)
TOTAL NET POSITION	<u>\$ 2,550,792</u>	<u>\$ -</u>	<u>\$ 2,550,792</u>

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

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Water Sales and Sewer Charges	\$ 552,893	\$ -	\$ 552,893
Miscellaneous Income	4,710	-	4,710
Grave Opening and Closing	-	18,613	18,613
Sales of Graves and Markers	-	19,586	19,586
TOTAL OPERATING REVENUES	<u>557,603</u>	<u>38,199</u>	<u>595,802</u>
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	53,775	10,914	64,689
Contractual Services, Materials, Supplies and Other Expenses	645,378	19,212	664,590
Depreciation Expense	148,777	-	148,777
TOTAL OPERATING EXPENSES	<u>847,930</u>	<u>30,126</u>	<u>878,056</u>
OPERATING INCOME (LOSS)	<u>(290,327)</u>	<u>8,073</u>	<u>(282,254)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Expense	(21,972)	-	(21,972)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(21,972)</u>	<u>-</u>	<u>(21,972)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(312,299)</u>	<u>8,073</u>	<u>(304,226)</u>
Transfers	124,900	(8,073)	116,827
CHANGE IN NET POSITION	(187,399)	-	(187,399)
NET POSITION - BEGINNING	<u>2,738,191</u>	<u>-</u>	<u>2,738,191</u>
NET POSITION - ENDING	<u>\$ 2,550,792</u>	<u>\$ -</u>	<u>\$ 2,550,792</u>

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

TOWN OF IVA SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
CASH FLOWS FROM OPERATIONS:			
Receipts from Customers	\$ 562,986	\$ 38,199	\$ 601,185
Payments to Employees and Related Benefits	(76,596)	(10,914)	(87,510)
Payments to Suppliers	(540,898)	(19,212)	(560,110)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(54,508)</u>	<u>8,073</u>	<u>(46,435)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund Transfers In	124,900	-	124,900
Interfund Transfers (Out)	-	(8,073)	(8,073)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>124,900</u>	<u>(8,073)</u>	<u>116,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bond	(24,920)	-	(24,920)
Purchase of Capital Assets	-	-	-
Interest Paid	(21,972)	-	(21,972)
Grant Contribution	-	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,892)</u>	<u>-</u>	<u>(46,892)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,500	-	23,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,552</u>	<u>-</u>	<u>2,552</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 26,052</u>	<u>\$ -</u>	<u>\$ 26,052</u>
CLASSIFIED AS:			
Current Assets	\$ -	\$ -	\$ -
Restricted Assets	26,052	-	26,052
TOTALS	<u>\$ 26,052</u>	<u>\$ -</u>	<u>\$ 26,052</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ (290,327)	\$ 8,073	\$ (282,254)
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation and Amortization	148,777	-	148,777
CHANGE IN ASSETS AND LIABILITIES:			
Accounts Receivable	5,386	-	5,386
Accounts Payable	105,930	-	105,930
Accrued Liabilities	(2,779)	-	(2,779)
Customer Deposits	(1,450)	-	(1,450)
Net Pension Liability	(33,426)	-	(33,426)
Deferred Pension Charges	(2,280)	-	(2,280)
Deferred Pension Credits	15,661	-	15,661
TOTAL ADJUSTMENTS	<u>235,819</u>	<u>-</u>	<u>235,819</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (54,508)</u>	<u>\$ 8,073</u>	<u>\$ (46,435)</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

The Town of Iva, South Carolina, (the Town), was incorporated in 1904. It is governed by a mayor and four council members who serve two-year terms. By South Carolina law, the Town operates under the mayor/council form of government.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Reporting Entity

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

As required by GAAP, the financial statements must present the Town’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) 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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all 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; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. 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. Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town.

Major Operations

The Town’s major governmental operations include: administrative and general, police, fire, municipal court, victims’ assistance, recreation and parks, hospitality, and streets and sanitation. In addition, the Town provides water and sewer operations through its utility fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial 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.

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*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the Town’s practice to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental funds and its major fund is as follows:

The **General Fund, a major fund and a budgeted fund**, is the general operating fund of the Town and accounts for all governmental revenues and expenditures of the Town. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Hospitality Tax Fund, a special revenue fund and a budgeted fund**, is used to account for and report the financial resources received and disbursed related to the Town's 2% fee imposed on prepared food and beverage sales within the Town. These funds are restricted and thus can only be spent for tourism related expenditures.

The **Victims Assistance Fund, a special revenue fund**, is used to account for and report the financial resources received and disbursed related to the Town's Victim's Assistance activities. These funds are restricted and thus can only be spent for related expenditures.

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has one enterprise fund.

A proprietary fund distinguishes operating revenues and expenses from non-operating 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 enterprise funds are primarily charges for services and fees. Operating expenses for the enterprise fund includes the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting these general definitions are reported as non-operating revenues and expenses. The Town's only proprietary fund is as follows:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

The *Utility Fund, a major fund*, is used to account for the Town's water and sewer operations. This is a budgeted fund.

The *Cemetery Fund* is used to account for the Town's Cemetery operations.

C. Cash, Cash Equivalents, and Investments

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The Town's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types, and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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 that local government unit, political subdivision, or county treasurer 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 (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, and other fees and charges.

E. Inventories and Prepaid Items

Inventories of materials, supplies, and gasoline are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

F. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Town's capitalization levels are \$5,000 on tangible personal property and \$25,000 on infrastructure assets. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Buildings	20-50
Improvements	25-50
Equipment and Vehicles	5-10
Infrastructure	15-50

G. Compensated Absences

The Town accrues accumulated unpaid vacation when earned by the employee. However, all vacation must be used by the end of the fiscal year and cannot be carried over to the next year.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Accrued Liabilities and Long-Term Obligations (continued):

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

I. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

J. Fund Balance

In accordance with GASB Statement No. 54 *“Fund Balance Reporting and Governmental Fund Type Definitions”* (“GASB #54”), the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. 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 – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council formally granted the Town Administrator the right to make assignments of fund balance for the Town.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Fund Balance (continued):

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balances are available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

K. Net Position

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one type of deferred outflow of resources, Deferred Pension Charges. This item is deferred and recognized as an outflow of resources (expense). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of deferred inflow of resources, Deferred Pension Credits. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

M. Property Tax

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Anderson County (“County”). The County generally levies its real property taxes in October based upon assessed valuations on January 1st of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Property Tax (continued):

January	3%
February 2 nd	an additional 7%
March 17 th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tag expires. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

O. Accounting Estimates

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

P. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the Town's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Q. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

R. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 2 – DEPOSITS:

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Interest Rate Risk: The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain deposits and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2019 were (a) those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 284,262	\$ -	\$ -	\$ 284,262
Construction in Progress	45,957	-	(45,957)	-
Total Capital Assets not being Depreciated	<u>330,219</u>	<u>-</u>	<u>(45,957)</u>	<u>284,262</u>
Capital Assets being Depreciated:				
Buildings and Improvements	1,533,002	542,260	-	2,075,262
Equipment and Vehicles	510,948	24,500	(36,706)	498,742
Total Capital Assets being Depreciated	<u>2,043,950</u>	<u>566,760</u>	<u>(36,706)</u>	<u>2,574,004</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(623,474)	(43,922)	-	(667,396)
Equipment and Vehicles	(448,327)	(23,361)	36,706	(434,982)
Total Accumulated Depreciation	<u>(1,071,801)</u>	<u>(67,283)</u>	<u>36,706</u>	<u>(1,102,378)</u>
Total Capital Assets being Depreciated, Net	<u>972,149</u>	<u>499,477</u>	<u>-</u>	<u>1,471,626</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,302,368</u>	<u>\$ 499,477</u>	<u>\$ (45,957)</u>	<u>\$ 1,755,888</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 46,913
Public Safety	<u>20,370</u>
Total Depreciation Expense	<u>\$ 67,283</u>

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 3 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 53,107	\$ -	\$ -	\$ 53,107
Total Capital Assets not being Depreciated	<u>53,107</u>	<u>-</u>	<u>-</u>	<u>53,107</u>
Capital Assets being Depreciated:				
Buildings and Improvements	55,488	-	-	55,488
Equipment and Vehicles	99,825	-	(16,060)	83,765
Water Lines and Facilities	5,972,618	-	-	5,972,618
Total Capital Assets being Depreciated	<u>6,127,931</u>	<u>-</u>	<u>(16,060)</u>	<u>6,111,871</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(55,488)	-	-	(55,488)
Equipment and Vehicles	(99,824)	-	16,060	(83,764)
Infrastructure	(1,317,545)	(148,777)	-	(1,466,322)
Total Accumulated Depreciation	<u>(1,472,857)</u>	<u>(148,777)</u>	<u>16,060</u>	<u>(1,605,574)</u>
Total Capital Assets being Depreciated, Net	<u>4,655,074</u>	<u>(148,777)</u>	<u>-</u>	<u>4,506,297</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,708,181</u>	<u>\$ (148,777)</u>	<u>\$ -</u>	<u>\$ 4,559,404</u>

Capital asset depreciation expense for business-type activities were charged to functions/programs as follows:

Water and Sewer	\$ 148,777
Cemetery	-
Total Depreciation Expense	<u>\$ 148,777</u>

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 4 – LONG-TERM OBLIGATIONS:

Revenue Bonds Payable

The Town may issue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds and directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. The revenue bonds are generally secured/collateralized by the gross revenues of the water system. The debt also requires various restricted accounts (i.e. debt service reserve, renewal and replacement, etc.) to be established and maintained by the Town.

Summarized below are the Town’s individual revenue bond issues (direct placement) that are outstanding as of June 30, 2019 and serviced by the Water and Sewer Fund and Hospitality Tax Fund:

Revenue Bonds

\$1,259,000 Series 2013 Waterworks and Sewer System Improvement Revenue Bonds dated March 2013 with monthly principal payments of approximately \$3,000 to \$4,000, plus interest at 1.875% due monthly through March 2053. \$ 1,179,611

\$200,000 Series 2019 Hospitality Tax Revenue Bonds dated June 2019 with annual principal payments of approximately \$2,100 to \$11,000, plus interest at 5.375% due annually through July 2030. 200,000

\$168,000 Series 2011 Hospitality Tax Revenue Bonds dated June 2011 with monthly principal payments of approximately \$1,000 to \$2,000, plus interest at 5.75% due annually through June 2020. 23,515

Total Revenue Bonds Payable \$ 1,403,126

Interest expense on the revenue bonds totaled approximately \$26,000 for the year ended June 30, 2019.

The revenue bonds require the Town to maintain user rates sufficient to generate net revenues, as defined by the agreements, ranging from 100% to 120% of the annual principal and interest payments on the revenue bonds. The revenue bonds contain significant requirements for annual debt service, various restrictive covenants which requires the Town to maintain various restricted cash and investment accounts and to meet various other general requirements.

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Primary Government</u>
2020	\$ 23,515	\$ 723	\$ 24,238	\$ 25,412	\$ 21,880	\$ 47,292	\$ 71,530
2021	14,139	21,590	35,729	25,893	21,399	47,292	83,021
2022	16,339	9,578	25,917	26,382	20,910	47,292	73,209
2023	17,577	8,740	26,317	27,642	19,650	47,292	73,609
2024	19,110	7,630	26,740	28,633	18,415	47,048	73,788
2025-2029	105,554	22,704	128,258	139,587	96,873	236,460	364,718
2030-2034	27,281	758	28,039	153,295	83,165	236,460	264,499
2035-2039	-	-	-	168,349	68,111	236,460	236,460
2040-2044	-	-	-	184,882	51,578	236,460	236,460
2045-2049	-	-	-	203,038	33,422	236,460	236,460
2050-2054	-	-	-	196,498	13,297	209,795	209,795
Total	<u>\$ 223,515</u>	<u>\$ 71,723</u>	<u>\$ 295,238</u>	<u>\$ 1,179,611</u>	<u>\$ 448,700</u>	<u>\$ 1,628,311</u>	<u>\$ 1,923,549</u>

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

General Obligation Bonds

Summarized below are the Town’s individual general obligation bond issues (direct placement) that are outstanding as of June 30, 2019 and serviced by the General Fund:

General Obligation Bonds

\$150,000 Series 2013 General Obligation Bonds issued in March 2013, due in annual principal installments of approximately \$10,000 to \$21,000 beginning in April 2014 through April 2020, plus interest of 6.0% due annually. \$ 56,130

\$75,000 Series 2013 General Obligation Bonds issued April 2018 with annual payments of \$9,747 beginning January 2019 through December 2028, with interest at 5.0%. The proceeds of this loan were used finance City operations. 68,013

Total General Obligation Bonds \$ 124,143

Interest expense on the general obligation bonds totaled approximately \$6,100 for the year ended June 30, 2019.

Future amounts required to pay principal and interest on general obligation bonds outstanding at June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 17,780	\$ 6,131	\$ 23,911
2021	18,440	5,216	23,656
2022	18,920	4,336	23,256
2023	19,700	3,456	23,156
2024	13,790	2,510	16,300
2025-2029	35,513	8,240	43,753
Total	<u><u>\$ 124,143</u></u>	<u><u>\$ 29,889</u></u>	<u><u>\$ 154,032</u></u>

Other Long-Term Debt

Summarized below are the Town’s individual bank loans and tax anticipation notes (direct borrowing) that are outstanding as of June 30, 2019 and serviced by the General Fund:

Bank Loans and Tax Anticipation Notes

\$73,750 lease purchase agreement entered into December 2017 with monthly payments of \$1,188 beginning January 2018 through December 2023, with interest at 5.0%. The proceeds of this loan were used to purchase police vehicles. \$ 57,347

\$24,000 lease purchase agreement entered into January 2019 with monthly payments of \$640 beginning December 2019 through December 2023, with interest at 5.5%. The proceeds of this loan were used to purchase equipment. 24,000

Total Bank Loans and Tax Anticipation Notes \$ 81,347

Interest expense on other long-term debt totaled approximately \$6,200 for the year ended June 30, 2019.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Future amounts required to pay principal and interest on other long-term debt outstanding at June 30, 2019 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2020	\$ 16,800	\$ 3,100	\$ 19,900
2021	17,420	2,400	19,820
2022	18,500	2,105	20,605
2023	19,110	1,970	21,080
2024	9,517	885	10,402
2025-2029	-	-	-
Total	\$ 81,347	\$ 10,460	\$ 91,807

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2019:

	Beginning			Ending		Amounts
	Balance	Additions	Reductions	Balances	Due Within	One Year
Governmental Activities:						
Revenue Bond Series 2011	\$ 45,438	\$ -	\$ (21,923)	\$ 23,515	\$ 23,515	
Revenue Bond Series 2019	-	200,000	-	200,000	-	
General Obligation Bond Series 2013	75,251	-	(19,121)	56,130	19,355	
General Obligation Bond Series 2018	75,000	-	(6,987)	68,013	6,592	
Bank Loan	-	24,000	-	24,000	6,000	
Bank Loan	68,416	-	(11,069)	57,347	10,800	
Total Governmental Activities	\$ 264,105	\$ 224,000	\$ (59,100)	\$ 429,005	\$ 66,262	

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2019:

	Beginning			Ending		Amounts
	Balance	Additions	Reductions	Balances	Due Within	One Year
Business - Type Activities:						
Revenue Bond Series 2013	\$ 1,204,531	\$ -	\$ (24,920)	\$ 1,179,611	\$ 25,412	
Other Liabilities:						
Customer Deposits	45,362	-	(1,450)	\$ 43,912	-	
Total Business Type Activities	\$ 1,249,893	\$ -	\$ (26,370)	\$ 1,223,523	\$ 25,412	

NOTE 5 - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

NOTE 6 – PENSION PLAN:

The Town participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division.

Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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 value.

The 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 the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two Member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a class Three member.

- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of

NOTE 6 – PENSION PLAN (CONTINUED):

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.

Plan Benefits

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

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's credible service equals at least 90 years. Both Class Two and 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 Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLAN (CONTINUED):

Plan 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 the 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 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 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 1st, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 14.56 percent for SCRS and 16.24 percent for POR, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and 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 schedule.

- Required employee contribution rates (1) for the following fiscal years are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

- Required employer contributions rates (1) for the following fiscal years are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	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.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLAN (CONTINUED):

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of 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 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 TPL as of June 30, 2018.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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 of the Plan

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 the June 30, 2018 measurement date, for SCRS and PORS are as follows:

Plan	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%

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLAN (CONTINUED):

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 actuarial valuation as of June 30, 2018.

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 rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised 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 Real Return	100.0%		5.03%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

TOWN OF IVA, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLAN (CONTINUED):

Discount Rate

The discount rate used to measure the TPL was 7.25%. 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, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the proportionate share of the NPL of the plans calculated using the discount rate of 7.25 percent, as well as what the Town’s 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	\$28,903	\$22,619	\$18,126
PORS	61,914	45,926	32,831

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$65,905 for the governmental activities and \$2,640 for the business-type activities on the government wide financial statements for its proportionate share of the net pension liability. The NPL was measured as of June 30, 2018, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The Town’s proportion of the NPL was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Town’s proportion for SCRS was 0.000101%. The Town’s proportion for PORS was 0.001621% at June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of approximately (\$146,000).

At June 30, 2019, the Town’s governmental activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 41	\$ 133
Changes of assumptions	897	-
Net difference between projected and actual investment earnings	359	-
Change in allocated proportion	-	191,961
Contributions after the measurement date	20,701	-
Total	<u>\$ 21,998</u>	<u>\$ 192,094</u>

TOWN OF IVA, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLAN (CONTINUED):

<u>PORS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,415	\$ -
Changes of assumptions	3,028	-
Net difference between projected and actual investment earnings	918	-
Change in allocated proportion	82,631	412,131
Contributions after the measurement date	59,182	-
Total	<u>\$ 147,174</u>	<u>\$ 412,131</u>

The amount of \$20,701 and \$59,182 reported as deferred outflows of resources related to pensions resulting from Town governmental activities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>SCRS Amount</u>	<u>PORS Amount</u>	<u>Amount</u>
2020	\$ (66,542)	\$ (75,252)	\$ (141,794)
2021	(64,854)	(102,835)	(167,689)
2022	(55,046)	(114,109)	(169,155)
2023	(4,355)	(31,943)	(36,298)
2024	-	-	-
Thereafter	-	-	-
Total	<u>\$ (190,797)</u>	<u>\$ (324,139)</u>	<u>\$ (514,936)</u>

NOTE 7 – INTERFUND TRANSFERS:

Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
By Fund:		
General Fund	\$ 95,611	\$ 126,768
Hospitality Tax Fund	-	87,538
Victim's Fund	1,868	-
Water Sewer Fund	124,900	-
Cemetery Fund	-	8,073
Total Primary Government	<u>\$ 222,379</u>	<u>\$ 222,379</u>

NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS:

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2019.

NOTE 9 – SUBSEQUENT EVENTS

Ordinance 2019-005

In June 2019, the Town Council of the Town of Iva has approved of the issuance of a waterworks and sewer system revenue bond, series 2019, not exceeding \$300,000.

Ordinance 2022-001

In April 2022, the Town Council of the Town of Iva has approved of the issuance of a General Obligation Bond, series 2022, not exceeding \$150,000.

Pending Litigation

In December 2019, Anderson County sued the Town of Iva, alleging actions for breach of contract and quantum meruit for allegedly unpaid sewer billing. The Town responded, raising various legal and equitable defenses. In particular, well after entering into a contract to provide sewer transport services, the County improperly began to charge the Town a flat \$7,500 fee every month before transporting even one gallon of wastewater - in addition to charges purportedly based on subsequent usage. Progress in this case has been delayed as the result of the COVID-19 pandemic. Discovery has not been yet conducted.

NOTE 10 - COVID-19 PANDEMIC IMPACTS

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, and in March 2020, classified the outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens. As local and federal governments recommend or mandate restrictions on business and travel in an effort to curb the pandemic by changing consumer behavior, the Town's revenues may be negatively impacted. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the pandemic, the Town cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the Town's results of operations, net position/fund balance and liquidity for the year ended June 30, 2021.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 429,580	\$ 429,580	\$ 482,342	\$ 52,762
Intergovernmental Revenue	325,780	325,780	708,161	382,381
Payment in Lieu of Taxes and Franchise Fees	72,750	72,750	75,802	3,052
Licenses, Permits and Fees	104,000	104,000	146,620	42,620
Fines and Forfeitures	20,000	20,000	19,866	(134)
Interest Income	80	80	8	(72)
Miscellaneous and Other	57,065	57,065	44,265	(12,800)
Total Local Revenues	<u>1,009,255</u>	<u>1,009,255</u>	<u>1,477,064</u>	<u>467,809</u>
EXPENDITURES				
CURRENT OPERATING:				
General Administration	369,130	369,130	423,199	(54,069)
Public Safety	538,500	538,500	677,731	(139,231)
Recreation and Tourism	-	-	19,457	(19,457)
DEBT SERVICE:				
Principal	80,000	80,000	37,177	42,823
Interest	13,800	13,800	9,296	4,504
Capital Expenditures	37,825	37,825	399,149	(361,324)
TOTAL EXPENDITURES	<u>1,039,255</u>	<u>1,039,255</u>	<u>1,566,009</u>	<u>(526,754)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,000)	(30,000)	(88,945)	(58,945)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In (Out)	(20,000)	(20,000)	(31,157)	(11,157)
Sale of Capital Assets	-	-	16,101	16,101
Proceeds of Debt Issuance	50,000	50,000	24,000	(26,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>30,000</u>	<u>30,000</u>	<u>8,944</u>	<u>(21,056)</u>
NET CHANGE IN FUND BALANCES	-	-	(80,001)	(80,001)
FUND BALANCES - BEGINNING	<u>(42,102)</u>	<u>(42,102)</u>	<u>(42,102)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (42,102)</u>	<u>\$ (42,102)</u>	<u>\$ (122,103)</u>	<u>\$ (80,001)</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Hospitality Tax	\$ 55,000	\$ 55,000	\$ 68,452	\$ 13,452
Farmer's Market Fees	5,000	5,000	-	(5,000)
TOTAL REVENUES	<u>60,000</u>	<u>60,000</u>	<u>68,452</u>	<u>8,452</u>
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	36,000	36,000	34,029	1,971
DEBT SERVICE:				
Principal	18,000	18,000	21,923	(3,923)
Interest	6,000	6,000	2,038	3,962
Capital Expenditures	-	-	121,654	(121,654)
TOTAL EXPENDITURES	<u>60,000</u>	<u>60,000</u>	<u>179,644</u>	<u>(119,644)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(111,192)	(111,192)
OTHER FINANCING SOURCES AND (USES)				
Proceeds of Debt Issuance	-	-	200,000	200,000
Transfers In (Out)	-	-	(87,538)	(87,538)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>-</u>	<u>112,462</u>	<u>112,462</u>
NET CHANGE IN FUND BALANCES	-	-	1,270	1,270
FUND BALANCES - BEGINNING	<u>4,323</u>	<u>4,323</u>	<u>4,323</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 4,323</u>	<u>\$ 4,323</u>	<u>\$ 5,593</u>	<u>\$ 1,270</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWN OF IVA

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS TO THE COST SHARING PENSION PLAN

JUNE 30, 2019

NOTE 1 – SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE SCRS AND PORS NET PENSION LIABILITY:

The Town's proportionate share of the net pension liability is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability (asset)	0.000101%	0.001176%	0.001417%	0.001417%	0.001696%
Town's proportion share of the net pension liability (asset)	\$ 22,619	\$ 264,737	\$ 302,669	\$ 268,741	\$ 304,202
Town's covered payroll	\$ 175,937	\$ 163,573	\$ 101,989	\$ 101,202	\$ 154,210 ¹
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.86%	161.85%	296.77%	265.55%	197.26%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%	52.90%	57.00%	59.90% ¹

PORS					
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability (asset)	0.00162%	0.01858%	0.02699%	0.01771%	0.01404%
Town's proportion share of the net pension liability (asset)	\$ 45,926	\$ 509,038	\$ 684,518	\$ 386,054	\$ 290,962
Town's covered payroll	\$ 365,622	\$ 328,715	\$ 222,875	\$ 167,763	\$ 266,884
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.56%	154.86%	307.13%	230.12%	109.02%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	60.90%	60.40%	64.60%	67.50%

The Town's contributions to the cost sharing pension plan was as follows:

SCRS					
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 20,701	\$ 23,857	\$ 18,909	\$ 11,280	\$ 11,031 ¹
Contributions in relation to the contractually required contribution	(20,701)	(23,857)	(18,909)	(11,280)	(11,031)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 145,234	\$ 175,937	\$ 163,573	\$ 101,989	\$ 101,202 ¹
Contributions as a percentage of covered payroll	14.25%	13.56%	11.56%	11.06%	10.90%

PORS					
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 59,182	\$ 59,377	\$ 46,809	\$ 30,623	\$ 22,497
Contributions in relation to the contractually required contribution	(59,182)	(59,377)	(46,809)	(30,623)	(22,497)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 348,427	\$ 365,622	\$ 328,715	\$ 222,875	\$ 167,763
Contributions as a percentage of covered payroll	16.98%	16.24%	14.24%	13.74%	13.41%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The Town adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

SUPPLEMENTAL INFORMATION

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES				
Charges for Sales and Services	\$ 575,000	\$ 575,000	\$ 552,893	\$ (22,107)
Tap Fees	-	-	-	-
Miscellaneous Income	3,500	3,500	4,710	1,210
Grave Openings and Closing	35,500	35,500	18,613	(16,887)
Sale of Graves and Markers	30,000	30,000	19,586	(10,414)
TOTAL OPERATING REVENUES	<u>644,000</u>	<u>644,000</u>	<u>595,802</u>	<u>(48,198)</u>
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	63,500	63,500	64,689	(1,189)
Contractual Services, Materials and Supplies	632,550	632,550	664,590	(32,040)
Depreciation Expense	-	-	148,777	(148,777)
TOTAL OPERATING EXPENSES	<u>696,050</u>	<u>696,050</u>	<u>878,056</u>	<u>(182,006)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	-	-	-	-
Interest Expense	(47,950)	(47,950)	(21,972)	25,978
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(47,950)</u>	<u>(47,950)</u>	<u>(21,972)</u>	<u>25,978</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(100,000)	(100,000)	(304,226)	(204,226)
Capital Contribution	-	-	-	-
Transfers	-	-	116,827	116,827
NET CHANGE IN NET POSITION	(100,000)	(100,000)	(187,399)	(87,399)
NET POSITION - BEGINNING	<u>2,738,191</u>	<u>2,738,191</u>	<u>2,738,191</u>	-
NET POSITION - ENDING	<u>\$ 2,638,191</u>	<u>\$ 2,638,191</u>	<u>\$ 2,550,792</u>	<u>\$ (87,399)</u>

TOWN OF IVA, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2019

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 27,779	\$ 27,779
Court fines and assessments remitted to State Treasurer			(13,001)	(13,001)
Total Court Fines and Assessments retained			14,778	14,778
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			735	735
Assessments retained			1,133	1,133
Total Surcharges and Assessments retained for victim services			\$ 1,868	\$ 1,868

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ -		\$ -
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	1,133		1,133
Victim Service Surcharges Retained by City/County Treasurer	735		735
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	1,868		1,868
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	-		-
Operating Expenditures	1,868		1,868
Victim Service Contract(s):			
(1) Anderson County	-		-
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	1,868		1,868
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ -		\$ -



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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 Iva, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Iva, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Iva, South Carolina's basic financial statements and have issued our audit report thereon dated January 12, 2023.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described as item 2019-01 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Iva, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-01.

Town of Iva, South Carolina's Response to Findings

Town of Iva, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Iva, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Daniel Cooky CPA & Honors, FRP". The signature is written in a cursive style.

Seneca, South Carolina

January 12, 2023

Town of Iva, South Carolina
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2019

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding Number: 2019-01

Finding Type: Material Weakness

Finding: The Town has not implemented an accounting and financial reporting system that provides for timely financial information for management use and Council oversight. Significant account balances and transaction cycles were not reconciled until more than one year following the fiscal year end.

Criteria: *Government Auditing Standards* require the Town to implement an internal control system that allows for timely and accurate financial reporting.

Condition: The Town utilizes spreadsheets and manual processes for accumulating financial information for both management use and Council oversight.

Cause: The Town contracts its accounting and bookkeeping functions and did not have the information available in a timely manner for the contracting entity.

Effect: Management and Council may not be able to make informed decisions due to the lack of current financial information. Financial statements may be materially misstated, requiring material year-end and/or audit adjustments.

Recommendation: We recommend the Town take the steps necessary to bring the financial statements current and implement an accounting system that allows Town finance personnel to enter daily financial transactions and produce real time financial information.

Views of Responsible Officials and Planned Corrective Actions: The Town concurs with the recommendation of the independent auditor and is implementing procedures to allow for the financial statements to be prepared in a timely manner. The Town will work with the auditor and bookkeeping firm to implement an accounting system that will allow finance personnel to enter daily transactions.