

City of Travelers Rest, South Carolina
Financial Statements
Year Ended June 30, 2020
(With Independent Auditor's Report Thereon)

City of Travelers Rest, South Carolina

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Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Travelers Rest
Travelers Rest, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Travelers Rest, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Travelers Rest, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2021, on our consideration of City of Travelers Rest' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Travelers Rest' internal control over financial reporting and compliance.

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

April 29, 2021

CITY OF TRAVELERS REST, SOUTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

As management of the City of Travelers Rest, South Carolina (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2020 by \$8,304,368 (net position).
- At the close of the fiscal year ended June 30, 2020, the City's governmental funds reported combined ending fund balances of \$5,038,482, an increase of \$1,048,919.
- As of June 30, 2020, the General Fund's unrestricted, unassigned fund balance was \$2,906,733, or 62% of total General Fund expenditures.
- The total debt of the City of Travelers Rest decreased \$222,979.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the City'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 City is improving or deteriorating.

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

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

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water and sewer system. These activities are primarily supported by user charges and fees.

Fund Financial Statements

These statements provide more detailed information about the City's most significant funds – not the City 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 City 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 City. 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 City's near-term financing requirements. Since governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ended June 30, 2020 and 2019.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the City. The combined total assets of the City's governmental activities and business-type activities exceeded liabilities by \$8,304,368 at the close of the most recent fiscal year.

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By far, the largest portion of the City's total net position (118%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current Assets						
Cash and Investments	\$ 4,890,762	\$ 4,050,694	\$ 1,108,117	\$ 986,205	\$ 5,998,879	\$ 5,036,899
Receivables and Prepaid Expenses	265,793	234,279	167,512	203,937	433,305	438,216
	<u>5,156,555</u>	<u>4,284,973</u>	<u>1,275,629</u>	<u>1,190,142</u>	<u>6,432,184</u>	<u>5,475,115</u>
Capital Assets, net	12,594,588	13,259,983	1,707,222	1,865,362	14,301,810	15,125,345
Restricted Assets	285,278	274,695	19,757	19,413	305,035	294,108
Total Assets	18,036,421	17,819,651	3,002,608	3,074,917	21,039,029	20,894,568
Deferred Outflows of Resources	705,909	888,946	5,944	7,125	711,853	896,071
Liabilities and Net Position						
Current Liabilities	1,140,558	1,275,651	61,824	56,934	1,202,382	1,332,585
Non-current Liabilities	11,680,028	12,304,765	175,975	228,944	11,856,003	12,533,709
Total Liabilities	12,820,586	13,580,416	237,799	285,878	13,058,385	13,866,294
Deferred Inflows of Resources	379,661	377,165	8,468	12,788	388,129	389,953
Net Position						
Net investment in capital assets	8,351,985	8,832,230	1,484,243	1,598,655	9,836,228	10,430,885
Restricted	2,131,749	1,517,656	19,757	19,413	2,151,506	1,537,069
Unrestricted	(4,941,651)	(5,598,870)	1,258,285	1,165,308	(3,683,366)	(4,433,562)
Total net position	<u>\$ 5,542,083</u>	<u>\$ 4,751,016</u>	<u>\$ 2,762,285</u>	<u>\$ 2,783,376</u>	<u>\$ 8,304,368</u>	<u>\$ 7,534,392</u>

The net position increased \$769,976 in fiscal year 2020. The governmental activities increased \$791,067, while the business-type activities decreased \$21,091. Net position of the City's governmental activities is \$5,542,083, while the business-type activity is \$2,762,285.

\$2,151,506 of the City's net position represents resources that are subject to restrictions on how they may be used. Restricted net position is \$2,131,749 for governmental activities and \$19,757 for business-type activities. The remaining balance of *unrestricted net position*, \$(3,683,366) may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position is \$(4,941,651) for governmental activities and \$1,258,285 for business-type activities.

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Change in Net Position

The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2020 and 2019.

Condensed Statement of Changes in Net Position

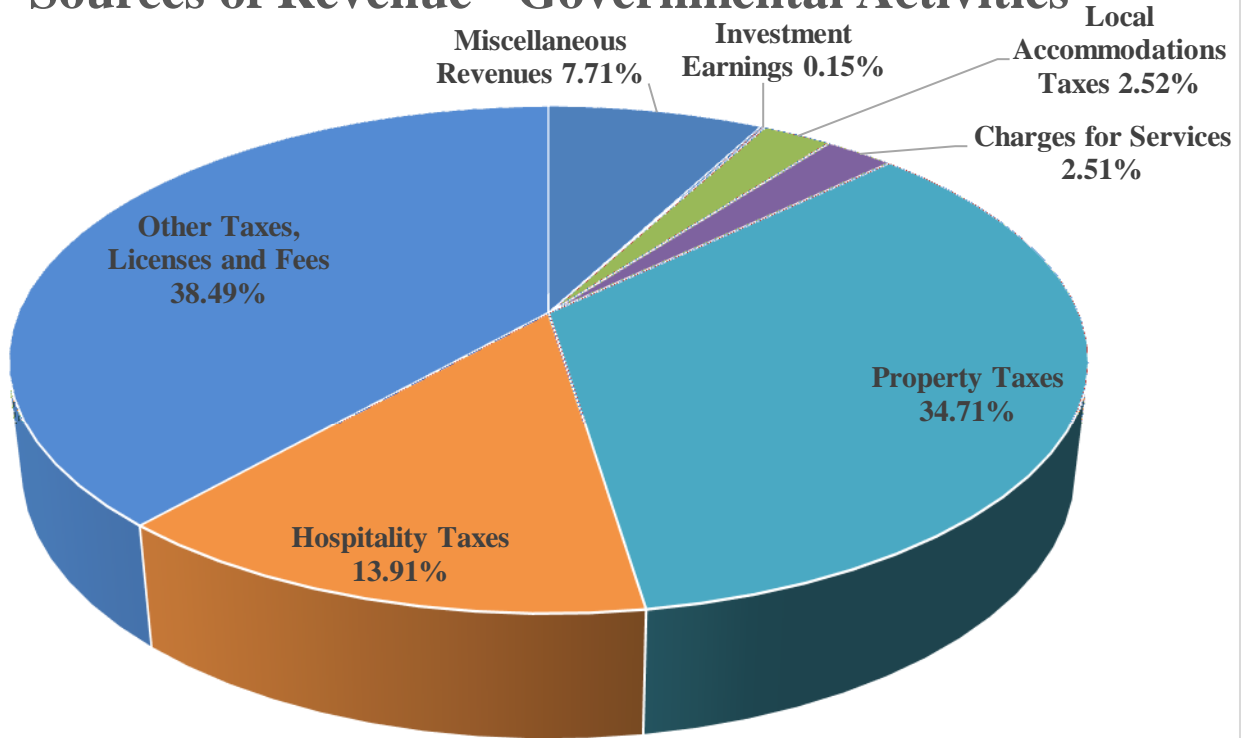
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program Revenue						
Charges for Services	\$ 161,334	\$ 159,658	\$ 316,485	\$ 259,408	\$ 477,819	\$ 419,066
Investment Earnings	9,411	13,343	3,151	3,251	12,562	16,594
General Revenue						
Property Taxes, Levied for						
General Purposes	2,228,820	2,131,142	-	-	2,228,820	2,131,142
Accommodation Taxes	161,807	86,965	-	-	161,807	86,965
Hospitality Taxes	893,231	876,904	-	-	893,231	876,904
Other Taxes, Licenses and fees	2,451,456	2,161,887	-	-	2,451,456	2,161,887
Other Revenues	495,402	69,856	-	-	495,402	69,856
Total Revenue	6,401,461	5,499,755	319,636	262,659	6,721,097	5,762,414
Program Expenses						
General Government	1,888,077	1,795,151	-	-	1,888,077	1,795,151
Administrative	576,281	537,390	-	-	576,281	537,390
Mayor Council	44,293	49,924	-	-	44,293	49,924
Legal	7,270	6,163	-	-	7,270	6,163
Municipal Court	123,575	103,736	-	-	123,575	103,736
Police Department	1,358,621	1,343,091	-	-	1,358,621	1,343,091
Fire Department	903,329	996,398	-	-	903,329	996,398
Public Services	156,562	148,945	-	-	156,562	148,945
Building Codes	71,884	-	-	-	71,884	-
Sanitation	258,370	249,062	-	-	258,370	249,062
Interest	247,132	270,765	-	-	247,132	270,765
Sewer System	-	-	340,727	231,669	340,727	231,669
Total Expenses	5,635,394	5,500,625	340,727	231,669	5,976,121	5,732,294
Transfers	25,000	367,344	-	-	25,000	367,344
Change in Net Position	791,067	366,474	(21,091)	30,990	769,976	397,464
Net Position, Beginning	4,751,016	4,384,542	2,783,376	2,752,386	7,534,392	7,136,928
Net Position, Ending	\$ 5,542,083	\$ 4,751,016	\$ 2,762,285	\$ 2,783,376	\$ 8,304,368	\$ 7,534,392

Governmental activities

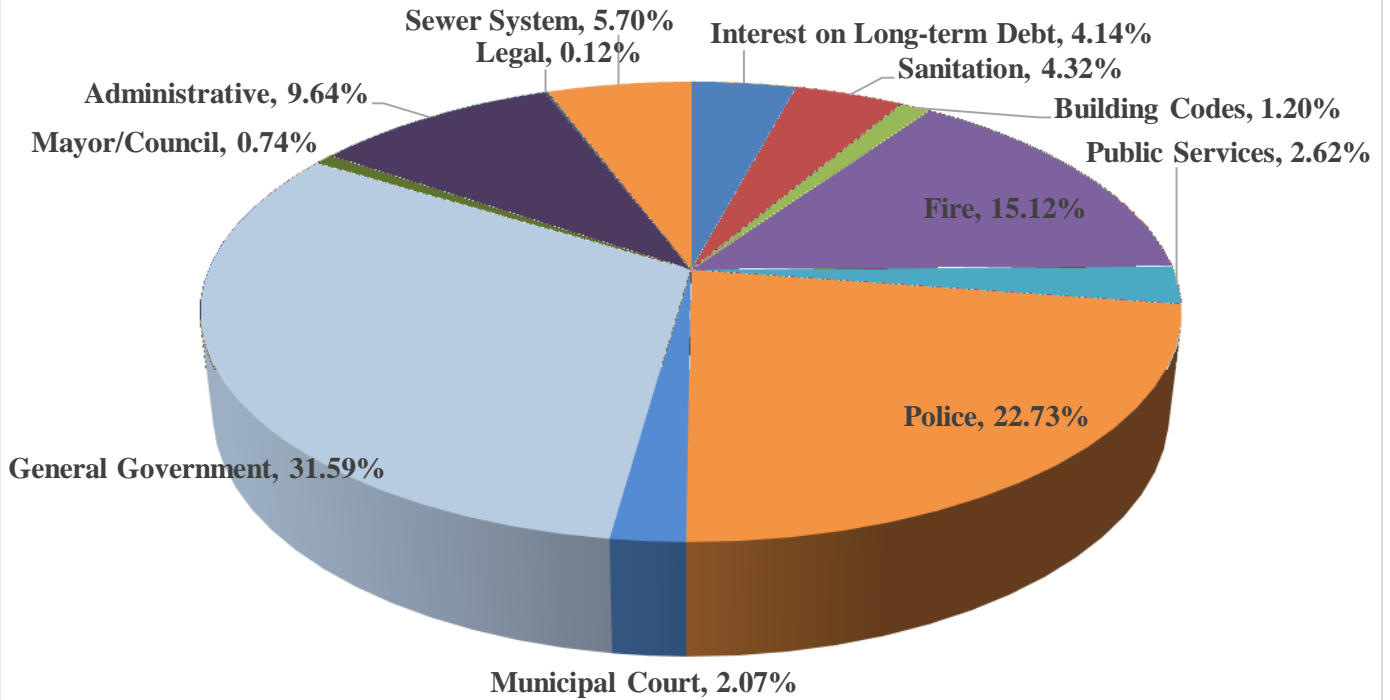
Governmental activities increased the City's net position by \$791,067.

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Sources of Revenue - Governmental Activities



Government-Wide Expenses by Activity



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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously mentioned, the City 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 City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 City's total governmental funds reported a combined ending fund balance of \$5,038,482 an increase of \$1,048,919 in comparison with the prior year. Restricted fund balance of \$2,131,749 is considered unavailable for appropriation for general operations. These amounts are restricted for recreation and tourism, capital projects, and other purposes.

The General Fund is the chief operating fund of the City and accounts for the major functions of the government including general government, administrative, mayor/council, legal, municipal court, police, public services, fire and sanitation. The fund balance increased \$452,085 (16.6%) during the current fiscal year.

Hospitality tax fund balance increased by \$166,382. Local accommodations tax fund balance decreased by \$11,707. Capital project fund balance increased by \$448,835 as a result of sale of property. Fireman's relief fund balance decreased by \$6,676.

Proprietary funds – The City's sewer system fund is the sole proprietary fund. The proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the sewer fund was \$2,762,285, of which \$1,484,243 is invested in capital assets, net of related debt and \$19,757 is restricted for capital projects. The remaining \$1,258,285 is unrestricted.

BUDGETARY HIGHLIGHTS

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

The actual general fund revenues were more than budgeted revenues by \$389,275. Expenditures came in \$7,729 over budgeted amounts.

The following table summarized budgeted revenues and expenditures for the general fund for the years ended June 30, 2020 and 2019:

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	<u>Budgeted Amounts</u>		<u>Actual</u>		<u>Variance</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Property Taxes	\$ 2,266,100	\$ 2,080,000	\$ 2,228,820	\$ 2,131,142	\$ (37,280)	\$ 51,142
Fee in Lieu	160,000	160,000	160,000	160,000	-	-
Accommodations Tax	27,250	39,000	45,632	(16,036)	18,382	(55,036)
Manufacturers Tax	44,000	43,000	5,454	43,641	(38,546)	641
Merchants Inventory Tax	18,000	15,000	18,977	18,977	977	3,977
Telecommunications Tax	20,000	20,000	21,126	17,453	1,126	(2,547)
Business License	420,000	360,000	479,198	435,694	59,198	75,694
Franchise Taxes (Fees)	590,000	580,000	599,469	605,118	9,469	25,118
Insurance Fees	640,000	580,000	678,423	712,709	38,423	132,709
Building Permits and Inspection Fees	90,000	66,000	308,388	111,946	218,388	45,946
Fines and Forfeitures	42,000	60,000	43,666	33,734	1,666	(26,266)
Investment Income	3,000	2,000	5,094	4,972	2,094	2,972
School District	28,000	28,000	28,000	28,000	-	-
Aid to Subdivisions	100,000	85,000	223,612	104,627	123,612	19,627
Public Works Fees	42,000	42,000	41,882	41,180	(118)	(820)
Other Income	87,000	52,500	78,884	52,494	(8,116)	(6)
Total Revenues	<u>4,577,350</u>	<u>4,212,500</u>	<u>4,966,625</u>	<u>4,485,651</u>	<u>389,275</u>	<u>273,151</u>
Expenditures						
Administrative	345,500	325,100	346,858	343,416	(1,358)	(18,316)
Mayor/Council	58,900	58,800	44,293	49,924	14,607	8,876
Legal	8,000	5,000	7,270	6,163	730	(1,163)
General Government	1,286,990	1,142,650	1,272,621	1,133,834	14,369	8,816
Municipal Court	167,750	185,725	123,020	103,607	44,730	82,118
Police	1,149,900	1,021,200	1,144,233	986,872	5,667	34,328
Public Works	161,250	148,375	151,108	147,336	10,142	1,039
Fire Department	826,080	762,100	790,263	761,060	35,817	1,040
Building Codes	84,900	-	71,884	-	13,016	-
Sanitation	234,000	222,000	254,282	241,798	(20,282)	(19,798)
Capital Outlays	65,700	163,250	68,598	121,205	(2,898)	42,045
Payments on long-term debt	308,380	286,875	430,649	318,633	(122,269)	(31,758)
Transfers	(120,000)	(108,575)	(190,539)	130,870	70,539	(239,445)
Total Expenditures	<u>4,577,350</u>	<u>4,212,500</u>	<u>4,514,540</u>	<u>4,344,718</u>	<u>62,810</u>	<u>(132,218)</u>
Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>452,085</u>	\$ <u>140,933</u>	\$ <u>452,085</u>	\$ <u>140,933</u>

The above budget to actual comparisons reflects the non-GAAP budgetary basis of accounting.

CITY OF TRAVELERS REST, SOUTH CAROLINA
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CAPITAL ASSETS

The City's investment in capital assets net of accumulated depreciation for its government-wide activities as of June 30, 2020, is \$14,301,810. This is a decrease of \$823,534 from the June 30, 2019, balance of \$15,125,345. This investment in capital assets includes land, construction in progress, buildings, equipment, improvements, and infrastructure. The major capital asset additions included the purchase of police vehicles and construction in progress for City Hall and Police Station.

Capital Assets
Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Non-Depreciable Assets:						
Land	\$ 928,518	\$ 928,518	\$ -	\$ -	\$ 928,518	\$ 928,518
Construction in Progress	52,442	-	-	-	52,442	-
Depreciable Assets:						
Building & Improvements	9,469,039	9,712,596	-	-	9,469,039	9,712,596
Improvements (Downtown Streetscape)	1,624,541	1,915,827	-	-	1,624,541	1,915,827
Sewer System	-	-	1,707,222	1,865,362	1,707,222	1,865,362
Equipment	88,145	111,174	-	-	88,145	111,174
Vehicles	90,092	189,458	-	-	90,092	189,458
Furniture and Fixtures	296,796	345,705	-	-	296,796	345,705
Intangibles	45,016	56,705	-	-	45,016	56,705
Total	\$ 12,594,589	\$ 13,259,983	\$ 1,707,222	\$ 1,865,362	\$ 14,301,811	\$ 15,125,345

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

DEBT ADMINISTRATION

At year-end the City had total long-term obligations of \$12,397,291. Of this amount, \$37,123 is general obligation debt to be paid from the general operating fund. \$8,458,480 comprises revenue bonds to be repaid from the general fund revenues and local hospitality tax revenues. Net pension liability represents \$3,559,418 of total long-term obligations. Also included in the total long-term obligations is \$68,996 in bonded debt and an additional \$153,983 in long-term debt, both to be repaid from sewer revenues. The obligation for future employee compensated absences is estimated at \$377,034.

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

CITY OF TRAVELERS REST, SOUTH CAROLINA
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2021 budget, general fund revenues are budgeted to increase which is up from the 2020 budgeted increase of 7.98%. General fund property taxes make up about 37% of general fund budgeted revenues and are projected to remain about the same for 2021, compared to fiscal year 2020 actual property tax revenues. Budgeted revenues for the sewer system fund in fiscal year 2021 are projected to decrease about .4% from fiscal year 2020 actual revenues. The local hospitality tax fund and local accommodations tax fund revenues are projected to decrease, and the revenues over (under) expenditures is projected to decrease by a combined \$471,902 for fiscal year ending June 30, 2021.

Contacting the City's financial management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator at 125 Trailblazer Drive, Travelers Rest, South Carolina, 29690.

City of Travelers Rest, South Carolina

**Statement of Net Position
June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Investments	\$ 4,890,762	\$ 1,108,117	\$ 5,998,879
Property Taxes Receivable, Net of Allowance	29,251	-	29,251
Accounts Receivable	380,701	23,353	404,054
Interfund Balances	(144,159)	144,159	-
Restricted assets:			
Cash and Investments	285,278	19,757	305,035
Noncurrent Assets			
Capital Assets not Being Depreciated	928,518	-	928,518
Capital Assets, Net of Accumulated Depreciation	11,666,070	1,707,222	13,373,292
Total Assets	\$ 18,036,421	\$ 3,002,608	\$ 21,039,029
Deferred Outflows of Resources - Pensions	\$ 705,909	5,944	711,853
Liabilities			
Accounts Payable and Accrued Expenses	\$ 140,670	\$ -	\$ 140,670
Accounts Payable and Accrued Expenses - Payable from Restricted Assets	262,681	-	262,681
Long-term Liabilities:			
Due Within One Year			
Accrued Compensated Absences	221,396	-	221,396
Bonds Payable	486,860	42,759	529,619
Loan Payable	9,007	19,065	28,072
Due in More Than One Year			
Accrued Compensated Absences	155,638	-	155,638
Bonds Payable	7,971,620	26,237	7,997,857
Loan Payable	28,116	134,918	163,034
Net pension liability	3,544,598	14,820	3,559,418
Total Liabilities	\$ 12,820,586	237,799	13,058,385
Deferred Inflows of Resources - Pensions	\$ 379,661	8,468	388,129
Net Position			
Invested in Capital Assets, Net of Related Debt	8,351,985	1,484,243	9,836,228
Restricted for:			
Capital Projects	448,835	19,757	468,592
Recreation and Tourism	1,398,836	-	1,398,836
Other Purposes	284,078	-	284,078
Unrestricted	(4,941,651)	1,258,285	(3,683,366)
Total Net Position	\$ 5,542,083	\$ 2,762,285	\$ 8,304,368

City of Travelers Rest, South Carolina

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental activities:							
Administrative	\$ (576,281)	\$ -	\$ -	\$ -	\$ (576,281)	\$ -	\$ (576,281)
Mayor/Council	(44,293)	-	-	-	(44,293)	-	(44,293)
Legal	(7,270)	-	-	-	(7,270)	-	(7,270)
General Government	(1,888,077)	117,668	-	-	(1,770,409)	-	(1,770,409)
Municipal Court	(123,575)	43,666	-	-	(79,909)	-	(79,909)
Police	(1,358,621)	-	-	-	(1,358,621)	-	(1,358,621)
Public Services	(156,562)	-	-	-	(156,562)	-	(156,562)
Fire	(903,329)	-	-	-	(903,329)	-	(903,329)
Building Codes	(71,884)	-	-	-	(71,884)	-	(71,884)
Sanitation	(258,370)	-	-	-	(258,370)	-	(258,370)
Interest on Long-Term Liabilities	(247,132)	-	-	-	(247,132)	-	(247,132)
Total governmental activities	(5,635,394)	161,334	-	-	(5,474,060)	-	(5,474,060)
Business-type activities:							
Utility System	(340,727)	316,485	-	-	-	(24,242)	(24,242)
Total Primary Government	\$ (5,976,121)	\$ 477,819	\$ -	\$ -	(5,474,060)	(24,242)	(5,498,302)
General revenues and transfers:							
Taxes							
Property Taxes, Levied for General Purpose					2,228,820	-	2,228,820
Accommodations Taxes					161,807	-	161,807
Hospitality Taxes					893,231	-	893,231
Other Taxes, Licenses, and Fees					2,451,456	-	2,451,456
Unrestricted Investment Earnings					9,411	3,151	12,562
Miscellaneous					495,402	-	495,402
Transfers					25,000	-	25,000
Total general revenues, special items, and transfers					6,265,127	3,151	6,268,278
Change in net position					791,067	(21,091)	769,976
Net position, beginning					4,751,016	2,783,376	7,534,392
Net position, ending					\$ 5,542,083	\$ 2,762,285	\$ 8,304,368

City of Travelers Rest, South Carolina

**Balance Sheet
Governmental Funds
June 30, 2020**

	<u>General Fund</u>	<u>Hospitality Tax Fund</u>	<u>Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Investments	\$ 3,033,859	\$ 1,057,550	\$ 319,457	\$ 479,896	\$ -	\$ 4,890,762
Receivables:						
Property Taxes Receivable, Net of Allowance	29,251	-	-	-	-	29,251
Accounts Receivable	304,629	70,633	-	5,439	-	380,701
Due from other funds	36,996		3,310		-	40,306
Restricted Assets:						
Cash and Cash Equivalents	262,681	-	-	-	22,597	285,278
Total assets	<u>\$ 3,667,416</u>	<u>\$ 1,128,183</u>	<u>\$ 322,767</u>	<u>\$ 485,335</u>	<u>\$ 22,597</u>	<u>\$ 5,626,298</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 91,162	\$ 12,916	\$ 92	\$ 36,500	\$ -	\$ 140,670
Inferfund Balances	144,159	39,106	-	-	1,200	184,465
Liabilities Payable from Restricted Assets:						
Accounts Payable and Accrued Expenses	262,681	-	-	-	-	262,681
Total liabilities	<u>498,002</u>	<u>52,022</u>	<u>92</u>	<u>36,500</u>	<u>1,200</u>	<u>587,816</u>
Fund balances:						
Restricted for:						
Recreation and Tourism	-	1,076,161	322,675	-	-	1,398,836
Capital projects	-	-	-	448,835	-	448,835
Other Purposes	262,681	-	-	-	21,397	284,078
Unassigned	2,906,733	-	-	-	-	2,906,733
Total fund balances	<u>3,169,414</u>	<u>1,076,161</u>	<u>322,675</u>	<u>448,835</u>	<u>21,397</u>	<u>5,038,482</u>
Total liabilities and fund balances	<u>\$ 3,667,416</u>	<u>\$ 1,128,183</u>	<u>\$ 322,767</u>	<u>\$ 485,335</u>	<u>\$ 22,597</u>	<u>\$ 5,626,298</u>

City of Travelers Rest, South Carolina

**Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2020**

Total fund balance - Governmental Funds		\$ 5,038,482
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds.		
Costs of capital assets	20,592,331	
Accumulated depreciation	<u>(7,997,743)</u>	12,594,588
Pension related amounts, including the proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Pension amounts at year end consist of:		
Aggregate proportionate share of collective pension liability	(3,544,598)	
Deferred outflows of resources related to pensions	705,909	
Deferred inflows of resources related to pensions	<u>(379,661)</u>	(3,218,350)
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.		
Compensated absences	(377,034)	
Bonds payable	(8,458,480)	
Loan payable	(37,123)	<u>(8,872,637)</u>
Total net position of Governmental Activities		<u>\$ 5,542,083</u>

City of Travelers Rest, South Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 Year Ended June 30, 2020

	General Fund	Hospitality Tax Fund	Accommodations Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 2,228,820	\$ -	\$ -	\$ -	\$ -	\$ 2,228,820
Accommodations Tax	45,632	-	83,675	32,500	-	161,807
Manufacturers Tax	5,454	-	-	-	-	5,454
Merchant's Inventory Tax	18,977	-	-	-	-	18,977
Telecommunications Tax	21,126	-	-	-	-	21,126
Business Licenses	479,198	-	-	-	-	479,198
Fee in Lieu	160,000	-	-	-	-	160,000
Franchise Taxes (Fees)	599,469	-	-	-	-	599,469
Insurance Fees	678,423	-	-	-	-	678,423
Building Permits and Inspection Fees	308,388	-	-	-	-	308,388
Fines and Forfeitures	43,666	-	-	-	-	43,666
Investment Income	5,094	1,755	2,257	254	51	9,411
Rental Income	-	900	-	-	-	900
Aid to Subdivisions	223,612	-	-	-	-	223,612
Hospitality Tax	-	893,231	-	-	-	893,231
Public Works Fee	41,882	-	-	-	-	41,882
County Recreation	31,220	-	-	-	-	31,220
Other Revenues	75,664	4,600	-	400,499	14,639	495,402
Total Revenues	<u>4,966,625</u>	<u>900,486</u>	<u>85,932</u>	<u>433,253</u>	<u>14,690</u>	<u>6,400,986</u>
Expenditures						
Current:						
Administrative	346,858	188,951	38,749	-	-	574,558
Mayor/Council	44,293	-	-	-	-	44,293
Legal	7,270	-	-	-	-	7,270
General Government	1,272,621	-	-	17	-	1,272,638
Municipal Court	123,020	-	-	-	-	123,020
Police	1,144,233	-	-	-	-	1,144,233
Public Services	151,108	-	-	-	-	151,108
Fire	790,263	-	-	-	21,366	811,629
Building Codes	71,884	-	-	-	-	71,884
Sanitation	254,282	-	-	-	-	254,282
Capital outlay	68,598	-	-	122,273	-	190,871
Debt service						
Principal	308,560	299,000	-	-	-	607,560
Interest	122,089	125,043	-	-	-	247,132
Total expenditures	<u>4,705,079</u>	<u>612,994</u>	<u>38,749</u>	<u>122,290</u>	<u>21,366</u>	<u>5,500,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>261,546</u>	<u>287,492</u>	<u>47,183</u>	<u>310,963</u>	<u>(6,676)</u>	<u>900,508</u>
Other Financing Sources (Uses)						
Transfers from (to) other funds	67,128	(121,110)	(58,890)	137,872	-	25,000
General Obligation Bond Proceeds	123,411	-	-	-	-	123,411
Total other financing sources (uses)	<u>190,539</u>	<u>(121,110)</u>	<u>(58,890)</u>	<u>137,872</u>	<u>-</u>	<u>148,411</u>
Net change in fund balance	452,085	166,382	(11,707)	448,835	(6,676)	1,048,919
Fund balance, beginning of year	2,717,329	909,779	334,382	-	28,073	3,989,563
Fund balance, end of year	<u>\$ 3,169,414</u>	<u>\$ 1,076,161</u>	<u>\$ 322,675</u>	<u>\$ 448,835</u>	<u>\$ 21,397</u>	<u>\$ 5,038,482</u>

City of Travelers Rest, South Carolina

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2020**

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

Net change in fund balances-total governmental funds	\$ 1,048,919
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(665,395)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(19,944)
Bonds Payable	598,903
Loan payable	8,657
Net revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported in these funds.	<u>(180,073)</u>
Change in net position of governmental activities	<u>\$ 791,067</u>

City of Travelers Rest, South Carolina

**Statement of Net Position
Proprietary Fund
June 30, 2020**

Assets

Current Assets

Cash and Cash Equivalents	\$	1,108,117
Receivables, Net of Allowance		23,353
Interfund Balances		144,159
Total Current Assets		1,275,629

Non-Current Assets

Restricted Cash and Cash Equivalents		19,757
Capital Assets, Less Accumulated Depreciation		1,707,222
Total Noncurrent Assets		1,726,979

Total Assets	\$	3,002,608
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Deferred Outflows of Resources - Pensions		5,944
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Liabilities

Current Liabilities

Loan Payable - Current		19,065
Bonds Payable - Current		42,759
Total Current Liabilities		61,824

Non-Current Liabilities

Loan Payable		134,918
Bonds Payable		26,237
Net Pension Liability		14,820
Total Non-Current Liabilities		175,975
Total Liabilities		237,799

Deferred Inflows of Resources - Pensions		8,468
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Net Position

Invested in Capital Assets, Net of Related Debt		1,484,243
Restricted for Capital Projects		19,757
Unrestricted		1,258,285
Total net position		2,762,285

City of Travelers Rest, South Carolina

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2020**

Operating Revenues

Charges for Services		
Sewer Service Collection Fees	\$	262,004
Sewer Tap Fees		14,200
Sewer Impact Fees		33,600
Engineer Evaluation Fee		106
Total Operating Revenues		316,485

Operating Expenses

Maintenance and Repairs		
Blockage		7,677
General Repairs		20,832
Engineering		5,467
Pump Station		35,398
ROW Clearance		6,932
Sewer Line Cleaning - MOM		14,078
Sewer Rehabilitation		45,932
Engineering - EPA		13,500
Salaries		27,412
Miscellaneous		184
Depreciation		158,140
Total Operating Expenses		335,552
Operating income		(19,067)

Non-Operating Revenue (Expenses)

Investment Earnings		3,151
Interest on Long-Term Debt		(5,175)
Total Non-Operating Revenue (Expenses)		(2,024)
Income Before Transfers		(21,091)

Transfers out		-
Change in net position		(21,091)

Net position, Beginning of Year		2,783,376
Net position, End of Year	\$	2,762,285

City of Travelers Rest, South Carolina

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2020**

Cash Flows from Operating Activities

Receipts from customers and others	\$ 310,058
Payments to suppliers	(114,638)
Payments to employees	(27,412)
	168,008
Net cash provided (used) by operating activities	168,008

Cash Flows from Capital and Related Financing Activities

Principal paid on capital debt	(43,728)
Interest paid on capital debt	(5,175)
	(48,903)
Net cash provided (used) by financing activities	(48,903)

Cash Flows from Investing Activities

Interest income	3,151
	3,151
Net cash provided (used) by investing activities	3,151

Net increase in cash and cash equivalents 122,256

Balance, beginning of year (including restricted assets of \$19,413)	1,005,618
Balance, ending of year (including restricted assets of \$19,757)	\$ 1,127,874

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income	\$ (19,067)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	158,140
Change in assets and liabilities:	
Accounts receivable, net	(6,427)
Prepaid expenses	17,243
Interfund balances	25,609
Deferred Outflows of Resources	1,181
Accounts payable	(4,750)
Net Pension Liability	399
Deferred Inflows of Resources	(4,320)
Net cash provided (used) by operating activities	\$ 168,008

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 1 – Description of Entity

The City of Travelers Rest, South Carolina, South Carolina (the “City”) operates under a Council form of government and provides the following services as authorized by its charter: general government, administrative, legal, mayor/council, public services, municipal court, police, sanitation, and fire services. The City also owns and operates a utility system which provides sewer services. The financial statements of the City include all of the above operations.

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

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

Note 2 – Summary of Significant Accounting Policies

The Reporting Entity

Pursuant to governmental accounting principles generally accepted in the United States of America, in evaluating the City as a reporting entity, management must consider all potential component units. The decision to include any potential component units in the City’s reporting entity was based on the following criteria:

The City’s financial accountability for the potential component unit was considered. The City is financially accountable if it appoints a voting majority of the governing board of the potential component unit and (1) it is able to impose its will on the potential component unit or (2) a financial benefit/burden relationship exists between the City and the potential component unit.

The potential component unit’s fiscal dependence on the City was considered.

The nature and significance of the relationship between the City and the potential component unit was considered to determine whether exclusion of the potential component unit from the reporting entity would render the City’s financial statements misleading or incomplete.

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

The Reporting Entity, continued

Based on the above criteria, Travelers Rest Public Facilities Corporation, a not-for-profit 501©(3) organization incorporated for the specific charitable purpose of serving as a “support organization” for capital projects of the City of Travelers Rest. Board members are appointed by the City. Because the organization exclusively benefits the City, the organization’s financial information is blended with that of the City in the basic financial statements. The Organization does not issue separate financial statements.

Basis of Presentation

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

Government-wide financial statements

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

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

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

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

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

Fund Financial Statements

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

Fund Accounting

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

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

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

Governmental funds include the following types:

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Fund Accounting, continued

The *hospitality tax fund* accounts for collection of two percent local restaurant tax receipts that are restricted for recreation and tourism expenditures.

The *accommodations tax fund* accounts for collection of three percent local accommodations tax collected from receipts from boarding or hotel establishments with more than six beds. These monies are restricted for tourism related expenses.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

The City considers all highly liquid investments, including cash on hand, demand deposits and short-term investments to be cash and cash equivalents.

Investments

The City's investment policy is designed to operate within existing State of South Carolina statutes that authorize the City to invest in the following:

- (1) Obligations of the United States and its agencies
- (2) General obligations of the State of South Carolina or any of its political units.
- (3) Savings and Loan Associations to the extent that the same are insured by the Federal Deposit Insurance Corporation.
- (4) Certificates of Deposit which are collaterally secured by securities of the type described above held by a third part as escrow agent or custodian, or a market value not less than the amount of 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.
- (5) Collateralized repurchase agreements which are collateralized by securities as set forth in this section and held by the City or a third party as escrow agent or custodian.
- (6) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Finally, 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 city clerk if the particular portfolio of the investment company or investment trust in with the investment is made by the city is limited to obligation of the United States, State of South Carolina, or repurchase agreement collateralized by the aforementioned city or state, and has among its objective to attempt to maintain a constant net asset value of one dollar a share and to that end, value it assets by the amortized cost method. Investments are stated at costs.

The City has not policy relating to investments or deposits that would further limit its investment/deposit choices.

The City's investments in the State of South Carolina Local Government Investment Pool (the Pool) are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code of Laws. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment company Act of 1940. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Investments, continued

Investments and for External Investment Pools, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

Interfund Receivables and Payables

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

Receivables

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

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

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

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

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

An annual millage rate is established by City Council as part of the budget process. All the City’s real and personal property taxes are assessed and collected by Greenville County.

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

Restricted Assets

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Capital Assets

The City's capital assets are recorded at cost for the government-wide financial statements but are not capitalized in the City's fund financial statements. Capital assets in the Sewer Department are capitalized at cost in the proprietary fund statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of land is not depreciated. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the respective assets.

Under Generally Accepted Accounting Principles, the City is considered to be a phase 3 governmental entity. As such, it is not required to and does not report sewer infrastructure additions acquired or improvements made prior to July 1, 2003. Accordingly, the City is only reporting infrastructure assets and related depreciation expense for the costs of sewer infrastructure additions and improvements that were incurred subsequent to June 30, 2013.

The City's capitalization policy thresholds and estimated useful lives are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$5,000	
Land Improvements	\$5,000	25 Years
Downtown Streetscape	\$5,000	15 Years
Buildings	\$5,000	39 Years
Equipment, Vehicles and Furniture and Fixtures	\$1,000	5 - 7 Years
Intangibles	\$1,000	15 - 25 Years

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

Compensated Absences

The City's policy for compensated absences is as follow:

Vacation – Employees are permitted to accumulate earned by unused vacation benefits up to 30 days of earned vacation leave with such leave being fully vested when earned. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. As of June 30, 2020, employees accumulated approximately 4,100 hours for which management computed an obligation of \$377,034. A liability is reported in the governmental funds financial statements only if it has matured, for example, as a result of employee resignations or retirements.

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Compensated Absences, continued

Sick Leave – the City’s sick leave policy provides for a limited accumulation of 120 days of sick leave. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Unearned Revenue

Unearned revenue is reported in the governmental fund financial statements when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise in both government-wide and fund financial statements when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenses/expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Long-term obligations

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

Deferred Outflows/Inflows of Resources

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

Fund Balance Reporting

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Fund Balance Reporting, continued

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

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

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

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

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

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

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

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies, continued

Net Position

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

Encumbrances

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

Estimates

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

Financial Instruments

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

Budgets and Budgetary Accounting

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

City of Travelers Rest, South Carolina

Notes to the Financial Statements Year Ended June 30, 2020

Note 3 – Deposits and Investments

The State of South Carolina General Statutes permits the City to invest in certain types of financial instruments. Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of the state statutes.

As of June 30, 2020, bank balances of the City’s deposits were \$6,228,612.

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

Credit risk – As of June 30, 2020, the City’s investment with the federal agencies is allowed under state laws.

Concentration of credit risk – The City’s places no limit on the amount that may be invested in any one issuer. At June 30, 2020, 100% of the City’s investments were in the State of South Carolina Local Government Investment Pool. At June 30, 2020, the City’s cash consisted of approximately 100% of deposits with a local financial institution.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2020, the City did not have any deposits exposed to custodial credit risk.

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

As of June 30, 2020, the City has the following investments:

Investment Type	Credit Rating	Fair Value	Investments Maturities in Years			
			< 1 Yr	1-3 Yrs	3-5 Yrs	>5 Yrs
SC State Government Local Investment Pool	*	\$ 52,274	\$52,274	-	-	-

*The State Government Local Investment Pool is invested in US Government Securities, which are not considered to have credit risk. Credit Ratings for these investments have been disclosed.

Cash reported in the Governmental Activities/Governmental Funds totaling \$285,278 represents amounts restricted as to use by providers.

Cash reported in the Business-type Activities/Proprietary Fund of \$19,757 represent funds on deposit with the Office of the State of South Carolina State Treasurer that are restricted for debt service on the City’s

City of Travelers Rest, South Carolina

**Notes to the Financial Statements
Year Ended June 30, 2020**

Note 3 – Deposits and Investments, continued

general obligation bonds. These amounts are included in restricted cash and investments for Business-type Activities on the government-wide Statement of Net Position and in restricted cash on the Proprietary Fund Statement of Net Position.

Note 4 - Receivables

Receivables as of June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
Receivables:					
Taxes (net of allowance for uncollectibles of \$36,675)	\$ 29,251	\$	-	\$	29,251
Accounts (net of allowance for uncollectibles of \$0 for Governmental and \$0 for Business-type Activities)	<u>380,701</u>		<u>23,353</u>		<u>404,054</u>
Total receivables	<u>\$ 409,952</u>	\$	<u>23,353</u>	\$	<u>433,305</u>

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 5 – Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 928,518	\$ -	\$ -	\$ 928,518
Construction in Progress	<u>-</u>	<u>52,442</u>	<u>-</u>	<u>52,442</u>
Total Capital Assets, Not Being Depreciated	<u>928,518</u>	<u>52,442</u>	<u>-</u>	<u>980,960</u>
Capital Assets, Being Depreciated				
Downtown Streetscape	4,619,680	100,422	-	4,720,102
Buildings and Improvements	11,129,797	-	-	11,129,797
Equipment	983,805	25,536	-	1,009,341
Vehicles	2,081,188	-	-	2,081,188
Furniture and Fixtures	507,664	5,007	-	512,671
Intangible Assets	<u>158,273</u>	<u>-</u>	<u>-</u>	<u>158,273</u>
Total Capital Assets, Being Depreciated	<u>19,480,407</u>	<u>130,965</u>	<u>-</u>	<u>19,611,372</u>
Less Accumulated Depreciation For				
Downtown Streetscape	(2,703,853)	(391,708)	-	(3,095,561)
Buildings and Improvements	(1,417,201)	(243,557)	-	(1,660,758)
Equipment	(872,631)	(48,565)	-	(921,196)
Vehicles	(1,891,730)	(99,366)	-	(1,991,096)
Furniture and Fixtures	(161,959)	(53,916)	-	(215,875)
Intangible Assets	<u>(101,568)</u>	<u>(11,689)</u>	<u>-</u>	<u>(113,257)</u>
Total Accumulated Depreciation	<u>(7,148,942)</u>	<u>(848,801)</u>	<u>-</u>	<u>(7,997,743)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,331,465</u>	<u>(717,836)</u>	<u>-</u>	<u>11,613,629</u>
Governmental Activities, Capital Assets, Net	\$ <u>13,259,983</u>	\$ <u>(665,394)</u>	\$ <u>-</u>	\$ <u>12,594,589</u>

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 5 – Capital Assets, continued

A summary of capital assets accounted for in the business-type activities is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital Assets, Being Depreciated				
Equipment	\$ 254,517	\$ -	\$ -	\$ 254,517
Infrastructure:				
Sewer Trunk Lines & Rehabilitation	2,645,777	-	-	2,645,777
Tubbs Mtn Pump Station	877,206	-	-	877,206
Intangibles	<u>81,790</u>	<u>-</u>	<u>-</u>	<u>81,790</u>
Total Capital Assets, Being Depreciated	<u>3,859,290</u>	<u>-</u>	<u>-</u>	<u>3,859,290</u>
Less Accumulated Depreciation For				
Equipment	(226,840)	(1,590)	-	(228,430)
Infrastructure:				
Sewer Trunk Lines & Rehabilitation	(1,320,754)	(116,774)	-	(1,437,528)
Tubbs Mtn Pump Station	(389,634)	(36,105)	-	(425,739)
Intangibles	<u>(56,700)</u>	<u>(3,671)</u>	<u>-</u>	<u>(60,371)</u>
Total Accumulated Depreciation	<u>(1,993,928)</u>	<u>(158,140)</u>	<u>-</u>	<u>(2,152,068)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,865,362</u>	<u>(158,140)</u>	<u>-</u>	<u>1,707,222</u>
Business-Type Activities, Capital Assets, Net	\$ <u>1,865,362</u>	\$ <u>(158,140)</u>	\$ <u>-</u>	\$ <u>1,707,222</u>

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

Governmental Activities:	
General Government	\$ 550,837
Police	210,356
Fire	83,520
Sanitation	<u>4,088</u>
Total Depreciation Expense - Governmental Activities	\$ <u>848,801</u>
Business-Type Activities:	
Sewer System	\$ <u>158,140</u>
Total Depreciation Expense - Business-Type Activities	\$ <u>158,140</u>

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 5 – Capital Assets, continued

Amortization of the Hospitality Tax Fund’s intangible assets was included in governmental activities depreciation expense for the year ended June 30, 2020. Amortization expense relating to governmental activities will be \$6,004 for each of the next five years.

Amortization of the Sewer System’s intangible assets was included in business-type activities depreciation expense for the year ended June 30, 2020. Amortization expense relating to business-type activities will be \$3,671 for each of the next five years.

Note 6 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds					
2019A General Obligation Bond	-	71,089	(71,089)	-	-
2019B General Obligation Bond	-	52,322	(52,322)	-	-
	<u>-</u>	<u>123,411</u>	<u>(123,411)</u>	<u>-</u>	<u>-</u>
Revenue Bonds					
2017 Accommodations and Hospitality Revenue Refunding Bond	\$ 2,485,000	\$ -	\$ (221,000)	\$ 2,264,000	\$ 227,000
2017B Accommodations and Hospitality Revenue Bond	2,067,000	-	(78,000)	1,989,000	79,000
SC Energy Office	45,954	-	(8,830)	37,124	9,007
Total General Obligation Bonds	<u>4,597,954</u>	<u>-</u>	<u>(307,830)</u>	<u>4,290,124</u>	<u>315,007</u>
Travelers Rest Public Facilities Corporation					
2013A Installment Purchase Revenue Bond	446,770	-	(108,040)	338,730	110,440
2013B Installment Purchase Revenue Bond	602,030	-	(51,280)	550,750	55,420
2017 Installment Purchase Revenue Bond	3,332,999	-	(17,000)	3,315,999	15,000
Total Installment Purchase Revenue Bonds	<u>4,381,799</u>	<u>-</u>	<u>(176,320)</u>	<u>4,205,479</u>	<u>180,860</u>
Accrued Compensated Absences	<u>357,090</u>	<u>241,340</u>	<u>(221,396)</u>	<u>377,034</u>	<u>221,396</u>
Governmental activities long-term liabilities	<u>\$ 9,336,843</u>	<u>\$ 241,340</u>	<u>\$ (705,546)</u>	<u>\$ 8,872,637</u>	<u>\$ 717,263</u>

For the governmental activities, the Installment Purchase Bonds and the Revenue Refunding Bonds are liquidated from the general fund and the hospitality tax fund, respectively. Compensated absences are generally liquidated from the general fund.

The 2017A Accommodations and Hospitality Tax Revenue Refunding Bonds were issued in April 2017 for the amount of \$2,912,000 to refund series 2012 Bonds. The bonds are payable annually on April 1 in incrementally increasing installments of principle through 2029. Interest is payable semi-annually on April 1 and October 1 through 2029 with an interest rate of 2.54%. The issuance resulted in a net present value savings of \$120,720. This bond is secured by the full faith, credit and taxing power of the City.

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 6 – Long-Term Debt, continued

The 2017B Accommodations and Hospitality Tax Revenue Bonds were issued in April 2017 for the amount of \$2,215,000 for capital improvements. The bonds are payable annually on April 1 in incrementally increasing installments of principle through 2032. Interest is payable semi-annually on April 1 and October 1 through 2032 with an interest rate of 2.76%. This bond is secured by the full faith, credit and taxing power of the City.

The Travelers Rest Public Facilities Corporation (“Corporation”) Installment Purchase Improvement Bond 2013A issued in the amount of \$1,047,500 on July 19, 2013 is payable annually on April 1 in incrementally increasing installments of principle through 2023. Interest is payable in semi-annual installments on April 1 and October 1 through 2023 with an interest rate of 2.22%. The bonds were originally issued to finance the cost of acquiring, constructing and renovating facilities sold by the Corporation to the City pursuant to a Facilities Purchase and Occupancy Agreement dated July 1, 2013. This agreement between the City and the Corporation is still in effect at June 30, 2020. The bonds are subject to annual appropriation.

The Travelers Rest Public Facilities Corporation (“Corporation”) Installment Purchase Improvement Bond 2013B issued in the amount of \$866,650 on July 19, 2013 is payable annually on April 1 in incrementally increasing installments of principle through 2029. Interest is payable in semi-annual installments on April 1 and October 1 through 2029 with an interest rate of 2.95%. The bonds were originally issued to finance the cost of acquiring, constructing and renovating facilities sold by the Corporation to the City pursuant to a Facilities Purchase and Occupancy Agreement dated July 1, 2013. This agreement between the City and the Corporation is still in effect at June 30, 2020. The bonds are subject to annual appropriation.

The Travelers Rest Public Facilities Corporation (“Corporation”) Installment Purchase Revenue Bond Series 2017 was issued in May 2017 in the amount of \$3,347,000 and is payable annually on April 1 in incrementally increasing installments of principle through 2037. Interest is payable in semi-annual installments on April 1 and October 1 through 2037 with an interest rate of 2.90%. The bonds were originally issued to finance the cost of acquiring, constructing and renovating facilities sold by the Corporation to the City pursuant to a Facilities Purchase and Occupancy Agreement dated July 1, 2013. This agreement between the City and the Corporation is still in effect at June 30, 2020. The bonds are subject to annual appropriation.

The 2019A General Obligation Bond was issued in August 2019 for the amount of \$71,089 for acquisition payments to the Corporation. The bond has a maturity date of March 15, 2020. Interest is payable on March 15, 2020 with an interest rate of 2.58%. This bond is secured by the full faith, credit and taxing power of the City.

The 2019B General Obligation Bond was issued in August 2019 for the amount of \$52,322 for acquisition payments to the Corporation. The bond has a maturity date of March 15, 2020. Interest is payable on March 15, 2020 with an interest rate of 3.67%. This bond is secured by the full faith, credit and taxing power of the City.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 6 – Long-Term Debt, continued

Debt service requirements on the governmental activities revenue bonds at June 30 are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 315,007	\$ 113,144	\$ 428,151
2022	323,187	105,018	428,205
2023	332,371	96,681	429,052
2024	340,558	88,104	428,662
2025	340,000	79,316	419,316
Thereafter	<u>2,639,001</u>	<u>293,097</u>	<u>2,932,098</u>
	<u>\$ 4,290,124</u>	<u>\$ 775,360</u>	<u>\$ 5,065,484</u>

Debt service requirements on the governmental activities Travelers Rest Public Facilities Corporation installment purchase bonds at June 30, 2020 are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 180,860	\$ 119,715	\$ 300,575
2022	185,310	115,148	300,458
2023	189,790	110,543	300,333
2024	196,220	104,012	300,232
2025	202,020	98,264	300,284
Thereafter	<u>3,251,279</u>	<u>655,730</u>	<u>3,907,009</u>
	<u>\$ 4,205,479</u>	<u>\$ 1,203,412</u>	<u>\$ 5,408,891</u>

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 6 – Long-Term Debt, continued

Long-term liability transactions for business-type activities for the year ended June 30, 2020 were as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>One Year</u>
Business-Type Activities					
Bonds Payable					
State Pollution Control					
Revolving Bond - A	\$ 62,721	\$	\$ (22,361)	\$ 40,360	\$ 22,869
State Pollution Control					
Revolving Bond - B	31,360		(11,181)	20,179	11,434
Loan Payable	<u>172,626</u>	<u>-</u>	<u>(18,642)</u>	<u>153,984</u>	<u>19,065</u>
Business-type activities					
long-term liabilities	<u>\$ 266,707</u>	<u>\$ -</u>	<u>\$ (52,184)</u>	<u>\$ 214,523</u>	<u>\$ 53,368</u>

During the fiscal year ended June 30, 2002, the City entered into an agreement with a contractor to provide sewer line rehabilitation over the area of the City known as the Travelers Rest 3 Area. The contract price of \$877,892 was financed out of existing reserves and through two separate bonds offered by the South Carolina Water Quality Revolving Fund Authority.

The first revolving bond – A with a balance of \$40,360 at June 30, 2020, carries an interest rate of 2.25% and is to be repaid in quarterly installments of \$5,896 including principle and interest through April 2022.

The second revolving bond – B with a balance of \$20,179 at June 30, 2020, carries an interest rate of 2.25% and is payable in quarterly installments of \$2,948 including principle and interest through April 2022. Revolving bond A is secured by the full faith, credit and taxing power of the City. Revolving bond B is secured by all revenues of the City’s Sewer System Fund.

During the fiscal year ended June 30, 2008, the South Carolina Water Quality Revolving Fund Authority loaned the City \$358,039 at an interest rate of 2.25% per annum. The purpose of the proceeds of this note was to fund the Tubbs Mountain Sewer Station Project. This project was completed during the year ended June 30, 2008 at a total cost of \$858,367. The balance of \$153,984 at June 30, 2020 is payable in quarterly installments of \$5,592, including principle and interest through December 2027. This loan is secured by all revenues of the City’s Sewer System Fund.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 6 – Long-Term Debt, continued

Maturities on long-term debt of the business-type activities are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 53,368	\$ 4,379	\$ 57,747
2022	45,735	3,168	48,903
2023	19,940	2,429	22,369
2024	20,393	1,977	22,370
2025	20,855	1,514	22,369
2026 - 2028	54,232	1,692	55,924
	<u>\$ 214,523</u>	<u>\$ 15,159</u>	<u>\$ 229,682</u>

Note 7 – Restricted Assets

Cash and cash equivalents

As of June 30, 2020, cash and cash equivalents restricted by external sources included:

	Governmental Activities	Business-type Activities
Capital projects	\$ 448,835	\$ 19,757
Recreation and Tourism	1,398,836	-
Other Purposes	284,078	-
	<u>\$ 2,131,749</u>	<u>\$ 19,757</u>

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 8 – Retirement Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

Plan Description

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

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

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 8 – Retirement Plan, continued

Plan Description, continued

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

Membership

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

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

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 8 – Retirement Plan, continued

Membership, continued

1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member

Benefits

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

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 8 – Retirement Plan, continued

Benefits, continued

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

Contributions, continued

Required employee contribution rates for fiscal year 2019-2020 are as follows:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contributions for fiscal year 2019-2020 are as follows:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

Pension Plan Fiduciary Net Position

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS and PORS are presented below.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

Pension Plan Fiduciary Net Position, continued

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	\$ 7,681,749,768	\$ 4,815,808,554	\$ 2,865,941,214	62.7%

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

Actuarial Assumptions

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

Actuarial Assumptions, continued

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

(1) Includes inflation at 2.25%

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 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.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

Long-Term Expected Rate of Return, continued

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real estate (Private)	8.0%	5.59%	0.45%
Real estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			<u>7.66%</u>

Discount Rate

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

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 1,493,743	\$ 1,185,707	\$ 928,634
PORS	\$ 3,216,941	\$ 2,373,711	\$ 1,682,892

Net Pension Liability

At June 30, 2020, the City reported a net pension liability of \$1,185,707 and \$2,373,711 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate shares of the net pension liabilities were based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportionate shares of the SCRS and PORS plans were .005193 percent and .082825 percent respectively, for June 30, 2020.

Pension Expense

For the year ended June 30, 2020, the City recognized pension expense for the SCRS plan of \$151,298. For the year ended June 30, 2020, the City recognized pension expense for the PORS plan of \$265,944.

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

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the SCRS plan, there were total deferred outflows of resources of \$199,180 consisting of differences between expected and actual experience of \$24,709, the net difference between projected and actual earnings on pension plan investments of \$37,167, changes in proportion and differences between employer contributions and proportionate share of contributions of \$31,245, and City contributions subsequent to the measurement date of \$106,059. There were deferred inflows of resources of \$53,124 for the SCRS plan consisting of differences between expected and actual experience.

City of Travelers Rest, South Carolina

**Notes to Financial Statements
Year Ended June 30, 2020**

Note 8 – Retirement Plan, continued

For the PORS plan, there were total deferred outflows of resources of \$512,673 consisting of differences between expected and actual experience of \$142,938, the net difference between projected and actual earnings on pension plan investments of \$96,946, changes in proportion and differences between employer contributions and proportionate share of contributions of \$21,155, and City contributions subsequent to the measurement date of \$251,634. There were deferred inflows of resources of \$335,005 for the PORS plan consisting of differences between expected and actual experience.

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

The \$106,059 and \$251,634 reported as deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2020 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2021.

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

For the SCRS plan, \$30,455 will be recognized for the fiscal years 2021. For fiscal year 2022 \$1,484 will be recognized. For fiscal year 2023 \$3,969 will be recognized and \$4,089 will be recognized in 2024.

For the PORS plan, \$21,197 will be recognized for the fiscal years 2021. For fiscal year 2022 \$(59,039) will be recognized. For fiscal year 2023 \$(37,407) will be recognized and \$1,284 will be recognized in 2024.

Covered Payroll and Contributions

The payroll for City employees covered by the SCRS totaled \$688,246 and \$548,334 for the year ended June 30, 2020 and 2019, while the payroll for PORS covered employees totaled \$1,410,504 and \$1,201,341, respectively.

The City’s contributions to SCRS and PORS are summarized as follows:

Year Ended	Employer			Employee		
	Percent	SCRS	PORS	Percent	SCRS	PORS
June 30, 2020	100%	\$ 106,059	\$ 251,634	100%	\$ 61,942	\$ 137,524
June 30, 2019	100%	\$ 79,015	\$ 202,306	100%	\$ 49,350	\$ 117,131
June 30, 2018	100%	\$ 71,552	\$ 196,085	100%	\$ 48,022	\$ 120,696

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 9 – Risk Management

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

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

Note 10 – Legal Matters

The City is engaged in routine litigation incidental to the conduct of its business and municipal affairs. In the opinion of its Counsel, no legal proceedings are pending against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

Note 11 – Commitments

The city maintains an agreement with Greenville County, whereby Greenville County agrees to be responsible for the operation, staffing, funding and maintenance of the Detention Center. The City is allowed to house sentenced and pre-sentenced prisoners in the Detention Center. Greenville County receives a per diem rate established annually and effective for the twelve-month period of July 1 through June 30. The per diem rate was \$55.52 and the total jail fees paid to Greenville County were \$34,616 for the year ended June 30, 2020.

In August 2019, the City committed to the purchase of a fire truck and equipment with a cost of \$727,550. The City is expected to take possession of the fire truck and equipment in March 2021.

Note 12 – Contingent Liabilities

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

City of Travelers Rest, South Carolina

Notes to Financial Statements Year Ended June 30, 2020

Note 13 – Tax Abatements

Greenville County provides tax abatements under fee-in-lieu of Tax and Special Source Revenue Credit Program (FILOT and SSRC). FILOT and SSRC offer individual incentive packages by abating property taxes to attract new business to the County and to retain current businesses. The Fee-in-Lieu of Tax and Special Source Revenue Credit Program was established by SC Code Title 12, Chapter 44 and Title 4, Chapter 12 as SC Code Sections 4-29-68, 4-1-170 and 12-44-70. The City of Travelers Rest's property tax revenues were reduced by \$55,484 for the fiscal year ended June 30, 2020 under agreements entered into by Greenville County. These agreements are related to economic development programs.

Note 14 – Projects with Other Government Agencies

During 2009 – 2010 fiscal year, the City issued a general obligation bond of \$900,000 to cover its portion of the cost of a tract of land purchased in conjunction with the Greenville County Recreation Department (the "Department"). During the 2010 – 2011 fiscal year, the City and the Department demolished the buildings on this tract and completed other clean-up activities to provide park and recreation facilities to the citizens of the City of Travelers Rest and Greenville County. During the 2010 – 2011 fiscal year, bond proceeds totaling \$197,820 were issued for this project. The City also shares some costs with the Department to maintain the Swamp Rabbit Trail, which transverses the City of Travelers Rest and the other areas of Greenville County. The Swamp Rabbit Trail and the new Downtown Streetscape have become an attraction for businesses, tourism and recreation for the City of Travelers Rest.

Note 15 – Subsequent Events

Subsequent events were evaluated through April 29, 2021, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization (WHO) classified the COVID-19 outbreak as a pandemic and recommended containment and mitigation measures worldwide. As of the date of the report, management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the City's financial position, operations, and cash flows in the fiscal year 2021.

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property Taxes	\$ 2,266,100	\$ 2,266,100	\$ 2,228,820	\$ (37,280)
Fee in Lieu	160,000	160,000	160,000	-
Accommodations Tax	27,250	27,250	45,632	18,382
Manufacturers Tax	44,000	44,000	5,454	(38,546)
Merchants Inventory Tax	18,000	18,000	18,977	977
Telecommunications Tax	20,000	20,000	21,126	1,126
Total Taxes	<u>2,535,350</u>	<u>2,535,350</u>	<u>2,480,009</u>	<u>(55,341)</u>
License and Permits				
Business License	420,000	420,000	479,198	59,198
Franchise Taxes (Fees)	590,000	590,000	599,469	9,469
Insurance Fees	640,000	640,000	678,423	38,423
Building Permits and Inspection Fees	90,000	90,000	308,388	218,388
Total License and Fees	<u>1,740,000</u>	<u>1,740,000</u>	<u>2,065,478</u>	<u>325,478</u>
Other Income				
Fines and Forfeitures	42,000	42,000	43,666	1,666
Investment Income	3,000	3,000	5,094	2,094
School District	28,000	28,000	28,000	-
Aid to Subdivisions	100,000	100,000	223,612	123,612
Public Works Fees	42,000	42,000	41,882	(118)
County Recreation	30,000	30,000	31,220	1,220
Other Income	57,000	57,000	47,664	(9,336)
Total Other Income	<u>302,000</u>	<u>302,000</u>	<u>421,138</u>	<u>119,138</u>
Total Revenues	<u>4,577,350</u>	<u>4,577,350</u>	<u>4,966,625</u>	<u>389,275</u>
Expenditures				
Administrative				
Salaries	267,000	267,000	264,413	2,587
Miscellaneous	23,900	23,900	23,822	78
Supplies	2,400	2,400	3,494	(1,094)
Employee Training and Travel	7,700	7,700	7,018	682
Financial Services	44,500	44,500	48,111	(3,611)
Total Administrative	<u>345,500</u>	<u>345,500</u>	<u>346,858</u>	<u>(1,358)</u>
Mayor/Council				
Salaries	33,600	33,600	33,600	-
Seminars/Travel	20,000	20,000	6,391	13,609
Council Expenses	5,300	5,300	4,302	998
Total Mayor/Council	<u>58,900</u>	<u>58,900</u>	<u>44,293</u>	<u>14,607</u>

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Legal				
Council Advice	8,000	8,000	7,270	730
Total Legal	<u>8,000</u>	<u>8,000</u>	<u>7,270</u>	<u>730</u>
General Government				
Tort Liability Insurance	42,000	42,000	38,936	3,064
Workers' Compensation Insurance	90,500	90,500	91,760	(1,260)
Unemployment Payroll Taxes	6,200	6,200	-	6,200
Equipment Lease	3,000	3,000	2,556	444
Utilities	39,500	39,500	26,699	12,801
Street Lights	48,000	48,000	59,126	(11,126)
Postage/Postage Meter	5,800	5,800	3,904	1,896
Computer IT Support	15,200	15,200	14,302	898
Advertisement/Ads	1,200	1,200	1,423	(223)
Vehicle Insurance	41,000	41,000	39,264	1,736
Casualty Insurance	21,000	21,000	15,830	5,170
Envelopes/Letterhead	1,500	1,500	1,357	143
Traffic Signals	-	-	1,062	(1,062)
Dues	3,440	3,440	2,366	1,074
Telephone	15,000	15,000	18,929	(3,929)
Employee Appreciation	3,000	3,000	2,793	207
Supplies	1,150	1,150	1,076	74
Sales and Use Tax Expense	500	500	169	331
Social Security/Medicare	153,000	153,000	147,360	5,640
Retirement	280,000	280,000	327,061	(47,061)
Group Health Insurance	516,000	516,000	476,648	39,352
Total General Government	<u>1,286,990</u>	<u>1,286,990</u>	<u>1,272,621</u>	<u>14,369</u>
Municipal Court				
Salaries	66,000	66,000	68,871	(2,871)
Schools and Seminars	3,000	3,000	1,867	1,133
Cellular Phones	900	900	823	77
Supplies	2,850	2,850	1,539	1,311
Travel Expense	2,000	2,000	2,186	(186)
Court Operations	2,000	2,000	1,667	333
Legal	21,000	21,000	11,451	9,549
Jail Fees	70,000	70,000	34,616	35,384
Total Municipal Court	<u>167,750</u>	<u>167,750</u>	<u>123,020</u>	<u>44,730</u>

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Police				
Salaries	968,300	968,300	962,345	5,955
Overtime	35,000	35,000	29,673	5,327
Vehicle Operating	40,000	40,000	36,430	3,570
Vehicle Maintenance	23,000	23,000	28,328	(5,328)
Telephone/Paper	11,700	11,700	10,953	747
Equipment Repair	3,000	3,000	2,913	87
Supplies	4,500	4,500	4,316	184
Uniforms and Clothing	10,000	10,000	10,106	(106)
Employee Training	8,000	8,000	5,745	2,255
Other Expenditures	46,400	46,400	53,424	(7,024)
Total Police	<u>1,149,900</u>	<u>1,149,900</u>	<u>1,144,233</u>	<u>5,667</u>
Public Services				
Salaries	86,000	86,000	82,326	3,674
Overtime	1,200	1,200	180	1,020
Telephone	-	-	-	-
Building Permits and Maintenance	11,100	11,100	7,746	3,354
Street and Sign Repair	33,300	33,300	37,039	(3,739)
Vehicle Operating	5,000	5,000	2,866	2,134
Vehicle Maintenance	2,000	2,000	2,030	(30)
Animal Control	1,550	1,550	1,222	328
Supplies	16,200	16,200	15,627	573
Engineering	2,500	2,500	-	2,500
Other Expenditures	2,400	2,400	2,072	328
Total Maintenance	<u>161,250</u>	<u>161,250</u>	<u>151,108</u>	<u>10,142</u>
Fire				
Salaries	659,800	659,800	654,564	5,236
Non-volunteer Overtime	15,000	15,000	8,854	6,146
Utilities	17,750	17,750	16,720	1,030
Building Maintenance	12,000	12,000	7,537	4,463
Vehicle Operating	17,500	17,500	11,428	6,072
Vehicle Maintenance	28,000	28,000	20,026	7,974
Telephone and Communications	6,300	6,300	5,077	1,223
Equipment Repair	13,130	13,130	10,563	2,567
Supplies	2,500	2,500	2,087	413
Uniforms and Clothing	11,500	11,500	7,295	4,205
Employee Training	8,400	8,400	7,737	663
Fire Safety and Prevention	1,500	1,500	546	954

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Equipment	21,500	21,500	27,296	(5,796)
Other Expenditures	9,700	9,700	9,598	102
Building Codes and Enforcement	1,500	1,500	935	565
Total Fire	<u>826,080</u>	<u>826,080</u>	<u>790,263</u>	<u>35,817</u>
Building Codes				
Salaries	48,000	48,000	44,268	3,732
Training and Travel	1,100	1,100	1,265	(165)
Inspection Services	30,000	30,000	21,418	8,582
Supplies	1,300	1,300	933	367
Software	4,500	4,500	4,000	500
Total Building Codes	<u>84,900</u>	<u>84,900</u>	<u>71,884</u>	<u>13,016</u>
Sanitation				
Contract Services	234,000	234,000	254,282	(20,282)
Total Sanitation	<u>234,000</u>	<u>234,000</u>	<u>254,282</u>	<u>(20,282)</u>
Capital Outlay				
General Government - Capital Improvements	65,700	65,700	68,598	(2,898)
Police Department Equipment	-	-	-	-
Motor Vehicles - Police	-	-	-	-
Fire Department Equipment	-	-	-	-
Total Capital Outlay	<u>65,700</u>	<u>65,700</u>	<u>68,598</u>	<u>(2,898)</u>
Debt Service	308,380	308,380	430,649	(122,269)
Total Expenditures	<u>4,697,350</u>	<u>4,697,350</u>	<u>4,705,079</u>	<u>(7,729)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(120,000)</u>	<u>(120,000)</u>	<u>261,546</u>	<u>381,546</u>
Other Financing Sources (Uses)				
Transfers in	145,000	145,000	145,000	-
Transfers out	(25,000)	(25,000)	(77,872)	(52,872)
General Obligation Bond Proceeds	-	-	123,411	123,411
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>120,000</u>	<u>190,539</u>	<u>70,539</u>
Net Change in Fund Balance	-	-	452,085	452,085
Fund balance, beginning of year	<u>2,717,329</u>	<u>2,717,329</u>	<u>2,717,329</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 2,717,329</u>	<u>\$ 2,717,329</u>	<u>\$ 3,169,414</u>	<u>\$ 452,085</u>

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
Hospitality Tax Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Hospitality Tax	\$ 760,000	\$ 760,000	\$ 893,231	\$ 133,231
Sponsorship Revenue	10,000	10,000	4,600	(5,400)
Rental Income	7,000	7,000	900	(6,100)
Investment Income	1,000	1,000	1,755	755
Total Revenues	<u>778,000</u>	<u>778,000</u>	<u>900,486</u>	<u>122,486</u>
Expenditures				
Ampitheater Program	45,000	45,000	20,343	24,657
Downtown Maintenance	20,000	20,000	27,150	(7,150)
Other Expenditures	129,000	129,000	141,458	(12,458)
Capital Outlay	10,000	10,000	-	10,000
Debt Service	424,875	424,875	424,043	832
Total Expenditures	<u>628,875</u>	<u>628,875</u>	<u>612,994</u>	<u>15,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>149,125</u>	<u>149,125</u>	<u>287,492</u>	<u>138,367</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,890	(3,890)
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(121,110)</u>	<u>(3,890)</u>
Net Change in Fund Balance	24,125	24,125	166,382	134,477
Fund balance, beginning of year	909,779	909,779	909,779	-
Fund Balance, end of year	<u>\$ 933,904</u>	<u>\$ 933,904</u>	<u>\$ 1,076,161</u>	<u>\$ 134,477</u>

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
Accommodations Tax Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Accommodations Tax	\$ 100,000	\$ 100,000	\$ 83,675	\$ (16,325)
Investment Income	<u>1,500</u>	<u>1,500</u>	<u>2,257</u>	<u>757</u>
Total Revenues	<u>101,500</u>	<u>101,500</u>	<u>85,932</u>	<u>(15,568)</u>
Expenditures				
Current				
Administrative	<u>41,000</u>	<u>41,000</u>	<u>38,749</u>	<u>2,251</u>
Total Expenditures	<u>41,000</u>	<u>41,000</u>	<u>38,749</u>	<u>2,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,500</u>	<u>60,500</u>	<u>47,183</u>	<u>(13,317)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(58,890)</u>	<u>3,890</u>
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(58,890)</u>	<u>3,890</u>
Net Change in Fund Balance	5,500	5,500	(11,707)	(9,427)
Fund balance, beginning of year	<u>334,382</u>	<u>334,382</u>	<u>334,382</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 339,882</u>	<u>\$ 339,882</u>	<u>\$ 322,675</u>	<u>\$ (9,427)</u>

City of Travelers Rest, South Carolina

**Schedule of Proportionate Share of the Net Pension Liability
Employee Pension Plan
Year Ended June 30, 2020**

<u>System</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
SCRS					
2014	0.004750%	\$ 851,981	\$ 429,070	198.56%	59.90%
2015	0.004750%	\$ 817,793	\$ 454,037	180.12%	59.90%
2016	0.004786%	\$ 925,727	\$ 512,090	180.77%	56.99%
2017	0.005288%	\$ 1,129,510	\$ 498,164	226.73%	52.90%
2018	0.004937%	\$ 1,111,398	\$ 533,575	208.29%	53.30%
2019	0.005149%	\$ 1,153,717	\$ 548,334	210.40%	54.10%
2020	0.005193%	\$ 1,185,707	\$ 688,246	172.28%	54.40%
PORS					
2014	0.09903%	\$ 2,052,844	\$ 1,172,329	175.11%	67.50%
2015	0.09903%	\$ 1,895,838	\$ 1,238,501	153.08%	67.50%
2016	0.09643%	\$ 2,106,419	\$ 1,327,526	158.67%	64.60%
2017	0.10346%	\$ 2,624,135	\$ 1,243,785	210.98%	60.40%
2018	0.09298%	\$ 2,547,134	\$ 1,237,911	205.76%	60.90%
2019	0.089435%	\$ 2,547,134	\$ 1,201,341	212.02%	61.70%
2020	0.082825%	\$ 2,373,711	\$ 1,410,504	168.29%	62.70%

*See Notes to Required Supplementary Information.
Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available.*

City of Travelers Rest, South Carolina

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SCRS							
Contractually required contribution	\$ 106,059	\$ 79,015	\$ 71,552	\$ 56,841	\$ 55,869	\$ 48,809	\$ 46,125
Contributions in relation to the contractually required contribution	<u>106,059</u>	<u>79,015</u>	<u>71,552</u>	<u>56,841</u>	<u>55,869</u>	<u>48,809</u>	<u>46,125</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 688,246	\$ 548,334	\$ 533,575	\$ 498,164	\$ 512,090	\$ 454,037	\$ 429,070
Contributions as a percentage of covered payroll	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%	10.75%
PORS							
Contractually required contribution	\$ 251,634	\$ 202,306	\$ 196,085	\$ 172,139	\$ 177,092	\$ 161,129	\$ 152,520
Contributions in relation to the contractually required contribution	<u>251,634</u>	<u>202,306</u>	<u>196,085</u>	<u>172,139</u>	<u>177,092</u>	<u>161,129</u>	<u>152,520</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 1,410,504	\$ 1,201,341	\$ 1,237,911	\$ 1,243,785	\$ 1,327,526	\$ 1,238,501	\$ 1,172,329
Contributions as a percentage of covered payroll	17.84%	16.84%	15.84%	13.84%	13.34%	13.01%	13.01%

See Notes to Required Supplementary Information.

Schedule is intended to show information for 10 years.

Additional information will be displayed as they become available.

City of Travelers Rest, South Carolina
Notes to Required Supplementary Information
June 30, 2020

Note 1 - Budgets and Budgetary Accounting

The City prepares an annual budget on the General Fund, Hospitality Tax Fund and Accommodations Tax Fund. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

Note 2 – Excess of Expenditures over Appropriations

For the year ended June 30, 2020, revenues exceeded expenditures in the General Fund by \$452,085.

City of Travelers Rest, South Carolina
Notes to Required Supplementary Information
June 30, 2020

Note 3 - Net Pension Liability

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

	SCRS	PORS
Valuation date	July 1, 2017	July 1, 2017
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-year smoothed	5 yearer-smoothed
Amortization method	Level percent of payroll	Level percent of payroll
Amortization Period as of the actuarial valuation date	30-year maximum, closed period	30- year maximum, closed period
Inflation rate	2.25%	2.25%
Salary increases	3.0% plus step-rate increases for members with less than 21 years of service.	3.5% plus step-rate increases for memebers with less than 15 years of service.
Investment rate of return	7.25%	7.25%
Mortality	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 125% and female rates are multiplied by 111%.
Comment on the development of the actuarially determined and actual contribution rate	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017.	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

City of Travelers Rest, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Balances
Budget and Actual
Proprietary Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Charges for Services				
Sewer Service Collection Fees	\$ 230,000	\$ 230,000	\$ 262,004	\$ 32,004
Sewer Tap Fees	16,000	16,000	14,200	(1,800)
Sewer Impact Fees	66,000	66,000	33,600	(32,400)
WCRSA Sewer Impact Fee	5,000	5,000	6,575	1,575
Engineer Evaluation Fee	1,500	1,500	106	(1,394)
Total Operating Revenues	<u>318,500</u>	<u>318,500</u>	<u>316,485</u>	<u>(2,015)</u>
Operating Expenses				
Maintenance and Repairs				
Blockage	5,000	5,000	7,677	(2,677)
General Repairs	25,000	25,000	20,832	4,168
Engineering	15,000	15,000	5,467	9,533
Pump Station	27,000	27,000	35,398	(8,398)
ROW Clearance	10,000	10,000	6,932	3,068
Sewer Line Cleaning - MOM	15,000	15,000	14,078	922
Sewer Rehabilitation	50,000	50,000	45,932	4,068
Engineering - EPA	15,000	15,000	13,500	1,500
Salaries	25,000	25,000	27,412	(2,412)
Miscellaneous	3,200	3,200	184	3,016
Total Expenditures	<u>190,200</u>	<u>190,200</u>	<u>177,412</u>	<u>12,788</u>
Operating Income	<u>128,300</u>	<u>128,300</u>	<u>139,073</u>	<u>10,773</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	1,000	1,000	3,151	2,151
Interest on Long-Term Debt	(5,800)	(5,800)	(5,175)	625
Total Nonoperating Revenues (Expenses)	<u>(4,800)</u>	<u>(4,800)</u>	<u>(2,024)</u>	<u>2,776</u>
Income Before Transfers			137,049	
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position, Budgetary Basis	123,500	123,500	137,049	13,549
Reconciliation of actual budgetary basis amount to proprietary fund statement of Revenue, Expenses and Changes in Net Position:				
Change in Net Position, Budgetary Basis			\$	137,049
Depreciation				<u>(158,140)</u>
Change in Net Position - Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position			\$	<u><u>(21,091)</u></u>

City of Travelers Rest, South Carolina

**Schedule of Court Fines, Assessments and Surcharges
Year Ended June 30, 2020**

Total Fines	\$	30,852
Conviction Surcharge		2,400
DUI Assessment		1,185
DUS Assessment		1,700
Other Assessments		<u>42,203</u>
Total		<u>78,340</u>
Amount Allocated to State		
Law Surcharges		8,150
DUI Assessment		3,850
88.84% of Other Assessments		<u>30,706</u>
		<u>42,706</u>
Allocated to Victim Assistance Fund		
Conviction Surcharge		2,375
11.18% of Other Assessments		<u>4,855</u>
		<u>7,230</u>
Unrestricted Revenue Retained	\$	<u><u>28,404</u></u>

City of Travelers Rest, South Carolina
Notes to Supplementary Information
June 30, 2020

Note 1 - Budgets and Budgetary Accounting

The City prepares an annual budget for the Sewer Proprietary Fund. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

The budget for the Proprietary Fund is prepared using the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Changes to the budgets made during the year, if any, are approved by the City. The City's original budgets were not amended during the year ended June 30, 2020.

Since the City's Proprietary Fund budget is prepared using a basis of accounting other than generally accepted accounting principles for proprietary funds, the budgetary companion schedule presented for the Proprietary Fund includes a reconciliation of actual budgetary basis amounts.

Note 2 – Excess of Expenditures over Appropriations

For the year ended June 30, 2020, expenses exceeded revenues in the Proprietary Fund by \$21,091.



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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 Mayor and Members of City Council
City of Travelers Rest, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Travelers Rest, South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Travelers Rest, South Carolina's basic financial statements, and have issued our report thereon dated April 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Travelers Rest, 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 City of Travelers Rest, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Travelers Rest, South Carolina's internal control.

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

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

To the Mayor and Members of City Council
City of Travelers Rest, South Carolina

Compliance and Other Matters

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

Purpose of this Report

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

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

April 29, 2021