



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF CENTRAL, SOUTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Central, South Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Town's 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Central, South Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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 December 17, 2020 on our consideration of the Town's 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 the Town's internal control over financial reporting and compliance.



Payne, White & Schmutz, CPA, PA

December 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

The management of the Town of Central ("Town") offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020 ("FY 2020" or "2020") compared to the fiscal year ended June 30, 2019 ("FY 2019" or "2019"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the Town's overall financial performance.

Financial Highlights

- In the Statement of Net Position, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16,391,846. Unrestricted net position has a balance of \$1,661,963 at June 30, 2020.
- The Town's total net position increased by \$879,933 compared to the prior year net position, as revenues of \$7,564,224 exceeded expenses of \$6,506,252 and a prior period adjustment of \$178,039.
- As of the close of the current year, the Town's governmental funds reported combined ending fund balances of \$2,676,368, a decrease of \$247,142 (which includes a prior period adjustment of \$8,956).
- At the end of the current year, unassigned fund balance for the General Fund was \$1,599,807, 30% of total General Fund expenditures for 2020.
- The Town's capital assets increased by \$1,381,749 (9%). The increase in capital assets was primarily due to the construction of a recreation facility during 2020.
- The Town's total debt increased by \$160,990 (4%) during 2020 due to the issuance of debt to purchase a fire truck.
- The Town's net pension liability increased by \$50,747 (2%) to \$2,486,337 at June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes the MD&A, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section* (if applicable).

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements. The financial statements include two statements that present different views of the Town. These are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include administrative and general, police, fire, streets and sanitation, community service and recreation and tourism. The business-type activities are the Town's water and sewer operations. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – The Town uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund. The Hospitality Tax Fund, Victim's Fund, and Recycling Fund are non-major funds and are combined for presentation purposes. The governmental funds financial statements can be found as listed in the table of contents.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town uses an enterprise fund to account for its water and sewer operations. The proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Required Supplementary Information – A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with their budgets. Required pension plan schedules have been included which provide relevant information regarding the Town's participation in the State retirement plans. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information which is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the Town's Government-Wide and Fund Financial Statements				
		Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds	
Scope	Entire Town government.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses, in the Town's case, all activities related to the water and sewer operations.	
Required Financial Statements	<ul style="list-style-type: none"> Statement of Net Position. Statement of Activities. 	Balance Sheet. Statement of Revenues, Expenditures, and Changes in Fund Balances.	<ul style="list-style-type: none"> Statement of Net Position. Statement of Revenues, Expenses and Change in Net Position. Statement of Cash Flows. 	
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital and short-term and long-term.	
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for June 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 3,096,039	\$ 3,257,439	\$ 2,928,959	\$ 3,045,221	\$ 6,024,998	\$ 6,302,660
Capital Assets	6,002,943	4,541,659	11,154,604	11,243,117	17,157,547	15,784,776
Total Assets	9,098,982	7,799,098	14,083,563	14,288,338	23,182,545	22,087,436
Deferred Outflows of Resources	337,992	371,126	80,864	81,794	418,856	452,920
Current Liabilities	505,021	357,217	391,878	713,243	896,899	1,070,460
Long-Term Liabilities	422,735	108,019	3,239,276	3,416,436	3,662,011	3,524,455
Net Pension Liability	2,041,406	1,982,956	444,931	452,634	2,486,337	2,435,590
Total Liabilities	2,969,162	2,448,192	4,076,085	4,582,313	7,045,247	7,030,505
Deferred Inflows of Resources	159,891	160,638	4,417	15,339	164,308	175,977
Net Investment in Capital Assets	5,524,769	4,397,401	7,824,318	7,739,904	13,349,087	12,137,305
Restricted	1,076,047	1,104,450	304,749	647,974	1,380,796	1,752,424
Unrestricted	(292,895)	59,543	1,954,858	1,384,602	1,661,963	1,444,145
Total Net Position	\$ 6,307,921	\$ 5,561,394	\$ 10,083,925	\$ 9,772,480	\$ 16,391,846	\$ 15,333,874

The Town's total assets increased \$1,095,109 from the prior year. Current and other assets decreased \$277,662 primarily due to a decrease in cash and cash equivalents. Capital assets increased \$1,372,771 from the prior year due to construction of a recreation facility. Total liabilities increased \$14,742 from the prior year primarily due to additional borrowings and an increase in the net pension liability. The changes in deferred outflows and inflows of resources was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

The Town's net position increased by \$1,057,972 during the current fiscal year primarily due to general revenues exceeding expenses in 2020. Please see the discussion following the next table regarding this increase.

The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$16,391,846 as of June 30, 2020. \$13,349,087 of total net position reflects the Town's net investment in capital assets (i.e., land, buildings, water and sewer system, equipment, vehicles, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,380,796 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for capital improvements, tourism related expenditures (hospitality taxes) and debt service.

The remaining portion of the Town's net position is an unrestricted balance of \$1,661,963.

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for June 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,526,030	\$ 1,580,406	\$ 2,500,624	\$ 2,414,585	\$ 4,026,654	\$ 3,994,991
Operating Grants and Contributions	311,824	278,902	-	-	311,824	278,902
Capital Grants and Contributions	1,247,957	231,356	133,756	839,012	1,381,713	1,070,368
General Revenues:						
Taxes	1,203,190	1,124,983	-	-	1,203,190	1,124,983
Other	593,589	627,830	47,254	51,992	640,843	679,822
Total Revenues	<u>4,882,590</u>	<u>3,843,477</u>	<u>2,681,634</u>	<u>3,305,589</u>	<u>7,564,224</u>	<u>7,149,066</u>
Expenses:						
Administrative and General	437,262	412,769	-	-	437,262	412,769
Judicial Services	125,385	123,286	-	-	125,385	123,286
Public Safety	1,219,747	1,064,184	-	-	1,219,747	1,064,184
Streets and Sanitation	638,283	815,589	-	-	638,283	815,589
Planning and Zoning	9,557	2,144	-	-	9,557	2,144
Community Service	144,632	128,850	-	-	144,632	128,850
Recreation and Tourism	1,529,033	1,203,869	-	-	1,529,033	1,203,869
Interest on Long-Term Debt	17,726	6,541	-	-	17,726	6,541
Sewer	-	-	1,155,583	1,159,783	1,155,583	1,159,783
Water	-	-	1,229,044	1,223,524	1,229,044	1,223,524
Total Expenses	<u>4,121,625</u>	<u>3,757,232</u>	<u>2,384,627</u>	<u>2,383,307</u>	<u>6,506,252</u>	<u>6,140,539</u>
Change in Net Position Before Transfers	760,965	86,245	297,007	922,282	1,057,972	1,008,527
Transfers	(14,438)	(19,759)	14,438	19,759	-	-
Change in Net Position	746,527	66,486	311,445	942,041	1,057,972	1,008,527
Net Position - Beginning of Year	5,561,394	5,494,908	9,772,480	8,830,439	15,333,874	14,325,347
Net Position - End of Year	<u>\$ 6,307,921</u>	<u>\$ 5,561,394</u>	<u>\$ 10,083,925</u>	<u>\$ 9,772,480</u>	<u>\$ 16,391,846</u>	<u>\$ 15,333,874</u>

Governmental Activities: Governmental activities had an increase in net position of \$746,527. Governmental activities revenues increased by \$1,039,113 (27%) from the prior year. This increase was due to higher capital grants in the current year when compared to the prior year.

Expenses related to total governmental activities increased by \$364,393, or 10%, from the prior year.

Business-Type Activities: Net position related to business-type activities (i.e., water and sewer operations) increased by \$311,445. This increase was primarily due to revenues of \$2,681,634 exceeding expenses of \$2,384,627 and transfers in of \$14,438. Revenues decreased by \$623,955 primarily due to decrease in grant funding when compared to the prior year. Expenses increased by \$1,320.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

At the end of the current fiscal year, the Town's governmental funds reported ending fund balance of \$2,676,368, a decrease of \$247,142, or 9% lower than the prior year fund balance.

\$1,599,807 (60%) of the total fund balance of the governmental funds constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is restricted or committed to indicate that it is not available for new spending: (1) for capital improvements (\$696,752), (2) for victims assistance (\$29,078), (3) for public safety (\$34,803), (4) for tourism and other (\$315,414), and (5) for streets and sanitation (\$514). Total unassigned fund balance of the governmental funds (General Fund) represents approximately 30% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by \$15,363 from the prior year, primarily due to lower intergovernmental revenues and grant funds.
- Total General Fund expenditures increased by \$1,904,912 from the prior year, due to capital expenditures for the new fire truck and recreation facility.

Proprietary Fund. The Town's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Net position of the Utility Fund at the end of 2020 was \$10,083,925. Please see "Business-Type Activities" discussion in the previous section for details.

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets as of June 30, 2020 amounted to \$17,157,547. The Town's capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water and sewer utility system. The Town's capital assets (net of depreciation) as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,099,586	\$ 1,099,586	\$ 90,216	\$ 90,216	\$ 1,189,802	\$ 1,189,802
Construction in Progress	1,221,161	116,147	163,798	-	1,384,959	116,147
Buildings and Improvements	2,096,175	2,202,904	124,887	19,984	2,221,062	2,222,888
Vehicles and Equipment	1,123,964	627,460	87,345	89,381	1,211,309	716,841
Infrastructure	462,057	486,586	10,688,358	11,043,534	11,150,415	11,530,120
Total	<u>\$ 6,002,943</u>	<u>\$ 4,532,683</u>	<u>\$ 11,154,604</u>	<u>\$ 11,243,115</u>	<u>\$ 17,157,547</u>	<u>\$ 15,775,798</u>

The total increase in the Town's capital assets for 2020 was \$1,381,749. Major capital asset events during 2020 included the following:

- Capital asset additions of approximately \$1,794,000 consisted primarily of:
 - Central Recreation Facility Gym – approximately \$1,100,000
 - Fire Truck – approximately \$464,000
 - Various Equipment – approximately \$230,000

TOWN OF CENTRAL, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

- Depreciation expense of approximately \$315,000 for governmental activities and \$391,000 for business-type activities.

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

Debt

As of June 30, 2020, the Town had total outstanding debt of \$3,808,460. The Town's total debt as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 65,000	\$ 125,000	\$ -	\$ -	\$ 65,000	\$ 125,000
Notes Payable	-	19,258	261,059	290,724	261,059	309,982
Revenue Bonds	-	-	3,069,227	3,212,488	3,069,227	3,212,488
Capital Leases	413,174	-	-	-	413,174	-
Total	<u>\$ 478,174</u>	<u>\$ 144,258</u>	<u>\$ 3,330,286</u>	<u>\$ 3,503,212</u>	<u>\$ 3,808,460</u>	<u>\$ 3,647,470</u>

The total increase in the Town's debt for 2020 was approximately \$161,000 or 4%. Major events during 2020 included the following:

Governmental Activities::

- Scheduled principal payments on bond/note of approximately \$79,000.
- Issuance of capital lease of approximately \$413,000

Business-Type Activities:

- Scheduled principal payments on bonds/notes of approximately \$173,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected officials and staff considered many factors when setting the fiscal year 2020 ("2020") budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the Town's residents were all taken into account.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide Central's citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances, and to demonstrate the Town's accountability for the public assets under its management. Please contact the Town of Central Administration Department, 1067 W Main Street, Central, SC 29630 with any questions or to request additional information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF CENTRAL, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 1,136,696	\$ 2,175,376	\$ 3,312,072
Restricted Cash and Cash Equivalents	745,589	304,749	1,050,338
Investments	614,042	161,590	775,632
Receivables, Net			
Taxes	6,614	-	6,614
Accounts	220,226	251,625	471,851
Other	290,477	-	290,477
Due From Other Governments	82,395	-	82,395
Inventory	-	35,619	35,619
CAPITAL ASSETS:			
Non Depreciable	2,320,747	254,014	2,574,761
Depreciable	9,236,743	15,519,292	24,756,035
Less Accumulated Depreciation	(5,554,547)	(4,618,702)	(10,173,249)
TOTAL ASSETS	9,098,982	14,083,563	23,182,545
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	337,992	80,864	418,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	337,992	80,864	418,856
LIABILITIES			
Accounts Payable	\$ 272,293	\$ 184,946	\$ 457,239
Accrued Liabilities	54,611	14,976	69,587
Interest Payable	14,214	4,725	18,939
NON-CURRENT LIABILITIES			
DUE WITHIN ONE YEAR:			
Compensated Absences	54,232	9,444	63,676
Bonds, Notes and Capital Leases Payable	109,671	177,787	287,458
DUE IN MORE THAN ONE YEAR:			
Compensated Absences	54,232	9,444	63,676
Refundable Connection Fees	-	77,333	77,333
Bonds, Notes and Capital Leases Payable	368,503	3,152,499	3,521,002
Net Pension Liability	2,041,406	444,931	2,486,337
TOTAL LIABILITIES	2,969,162	4,076,085	7,045,247
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Business Licenses	92,767	-	92,767
Deferred Pension Credits	67,124	4,417	71,541
TOTAL DEFERRED INFLOWS OF RESOURCES	159,891	4,417	164,308
NET POSITION			
Net Investment in Capital Assets	5,524,769	7,824,318	13,349,087
RESTRICTED FOR:			
Capital Improvements	696,752	-	696,752
Debt Service	-	304,749	304,749
Public Safety	34,803	-	34,803
Victim Services	29,078	-	29,078
Recreation and Tourism	314,944	-	314,944
Other	470	-	470
Unrestricted	(292,895)	1,954,858	1,661,963
TOTAL NET POSITION	\$ 6,307,921	\$ 10,083,925	\$ 16,391,846

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

See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES							
General Administration	\$ 437,262	\$ 480,998	\$ -	\$ 101,200	\$ 144,936	\$ -	\$ 144,936
Judicial Services	125,385	38,808	-	-	(86,577)	-	(86,577)
Public Safety	1,219,747	190,561	24,951	-	(1,004,235)	-	(1,004,235)
Streets and Sanitation	638,283	269,315	-	49,119	(319,849)	-	(319,849)
Planning and Zoning	9,557	47,792	-	-	38,235	-	38,235
Community Service	144,632	4,950	-	-	(139,682)	-	(139,682)
Recreation and Tourism	1,529,033	493,606	286,873	1,097,638	349,084	-	349,084
Interest on Long-Term Debt	17,726	-	-	-	(17,726)	-	(17,726)
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,121,625</u>	<u>1,526,030</u>	<u>311,824</u>	<u>1,247,957</u>	<u>(1,035,814)</u>	<u>-</u>	<u>(1,035,814)</u>
BUSINESS-TYPE ACTIVITIES							
Water Activity	1,229,044	879,294	-	-	-	(349,750)	(349,750)
Sewer Activity	1,155,583	1,621,330	-	133,756	-	599,503	599,503
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,384,627</u>	<u>2,500,624</u>	<u>-</u>	<u>133,756</u>	<u>-</u>	<u>249,753</u>	<u>249,753</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,506,252</u>	<u>\$ 4,026,654</u>	<u>\$ 311,824</u>	<u>\$ 1,381,713</u>	<u>(1,035,814)</u>	<u>249,753</u>	<u>(786,061)</u>
GENERAL REVENUES:							
TAXES:							
Property Taxes, Levied for General Purposes					246,763	-	246,763
Local Option Tax					729,470	-	729,470
Tax Increment Fees					85,157	-	85,157
Hospitality Tax					138,599	-	138,599
Other Taxes					3,201	-	3,201
Payments in Lieu of Taxes and Franchise Fees					362,892	-	362,892
Grants and Contributions not Related to Specific Programs					143,880	-	143,880
Impact Fees					9,268	22,894	32,162
Miscellaneous					64,554	24,360	88,914
Income on Investments					12,995	-	12,995
Transfers					(14,438)	14,438	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					<u>1,782,341</u>	<u>61,692</u>	<u>1,844,033</u>
CHANGE IN NET POSITION					<u>746,527</u>	<u>311,445</u>	<u>1,057,972</u>
NET POSITION, BEGINNING OF YEAR - As Previously Reported					5,739,433	9,772,480	15,511,913
Prior Period Adjustment					<u>(178,039)</u>	<u>-</u>	<u>(178,039)</u>
NET POSITION, BEGINNING OF YEAR - Restated					<u>5,561,394</u>	<u>9,772,480</u>	<u>15,333,874</u>
NET POSITION - ENDING					<u>\$ 6,307,921</u>	<u>\$ 10,083,925</u>	<u>\$ 16,391,846</u>

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

FUND FINANCIAL STATEMENTS

TOWN OF CENTRAL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 1,136,024	\$ 672	\$ 1,136,696
Restricted Cash and Cash Equivalents	386,334	359,255	745,589
Investments	614,042	-	614,042
RECEIVABLES:			
Taxes	6,614	-	6,614
Accounts	208,905	11,321	220,226
Other	290,477	-	290,477
Due from Other Governments	82,395	-	82,395
TOTAL ASSETS	\$ 2,724,791	\$ 371,248	\$ 3,096,039
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 270,541	\$ 1,752	\$ 272,293
Accrued Liabilities	54,611	-	54,611
TOTAL LIABILITIES	325,152	1,752	326,904
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Business Licenses	92,767	-	92,767
TOTAL DEFERRED INFLOWS OF RESOURCES	92,767	-	92,767
FUND BALANCES:			
RESTRICTED FOR:			
Capital Improvements	696,752	-	696,752
Victims Assistance	-	29,078	29,078
Public Safety	9,843	24,960	34,803
Tourism	-	314,944	314,944
Other	470	-	470
COMMITTED TO:			
Streets and Sanitation	-	514	514
UNASSIGNED:	1,599,807	-	1,599,807
TOTAL FUND BALANCES	2,306,872	369,496	2,676,368
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,724,791	\$ 371,248	\$ 3,096,039

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

See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

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

JUNE 30, 2020

Fund balances - total governmental funds		\$	2,676,368
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 as assets in the governmental funds. The cost of the assets was \$11,557,490 and the accumulated depreciation was \$5,554,547.			6,002,943
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.			(1,770,538)
Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.			(14,214)
Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Long-term liabilities consisted of the following:			
Bonds, Notes and Capital Leases Payable	(478,174)		
Compensated absences	(108,464)		(586,638)
Net position of governmental activities		\$	6,307,921

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 320,271	\$ -	\$ 320,271
Licenses, Permits and Fees	1,499,828	140,940	1,640,768
Fines and Forfeitures	34,244	4,564	38,808
Payments in Lieu of Taxes and Franchise Fees	362,892	-	362,892
Intergovernmental Revenues	1,186,391	35,361	1,221,752
Miscellaneous and Other	81,554	3,490	85,044
Income on Investments	12,995	-	12,995
TOTAL REVENUES	3,498,175	184,355	3,682,530
EXPENDITURES			
CURRENT OPERATING			
General Administration	374,800	-	374,800
Judicial Services	118,131	1,812	119,943
Public Safety	1,061,389	-	1,061,389
Streets and Sanitation	555,664	3,993	559,657
Planning and Zoning	9,557	-	9,557
Community Service	140,856	-	140,856
Recreation and Tourism	1,294,611	107,759	1,402,370
Capital Expenditures	1,784,948	-	1,784,948
DEBT SERVICE:			
Principal	19,258	60,000	79,258
Interest	496	4,150	4,646
TOTAL EXPENDITURES	5,359,710	177,714	5,537,424
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,861,535)	6,641	(1,854,894)
OTHER FINANCING SOURCES AND (USES)			
Proceeds from Sale of Capital Assets	12,652	-	12,652
Insurance Proceeds	7,927	-	7,927
Capital Contributions	1,179,481	-	1,179,481
Proceeds from Capital Lease	413,174	-	413,174
Transfers In (Out)	(14,438)	-	(14,438)
TOTAL OTHER FINANCING SOURCES AND (USES)	1,598,796	-	1,598,796
NET CHANGE IN FUND BALANCES	(262,739)	6,641	(256,098)
FUND BALANCE, BEGINNING OF YEAR - As Previously Reported	2,569,611	353,899	2,923,510
Prior Period Adjustment	-	8,956	8,956
FUND BALANCES, BEGINNING OF YEAR - As Restated	2,569,611	362,855	2,932,466
FUND BALANCES, ENDING	\$ 2,306,872	\$ 369,496	\$ 2,676,368

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds \$ (256,098)

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

Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year. 79,258

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (13,080)

The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$314,708 was exceeded by capital asset additions of \$1,784,948, in the current period. 1,470,240

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (22,426)

Capital lease proceeds provide current financial resources to the governmental fund, but entering into capital lease obligations increase long-term liabilities in the Statement of Net Position. (413,174)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. (98,193)

Change in net position of governmental activities \$ 746,527

TOWN OF CENTRAL, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2020

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$	2,175,376
Restricted Cash and Cash Equivalents		304,749
Investments		161,590
Accounts Receivable		251,625
Inventory		35,619
TOTAL CURRENT ASSETS		2,928,959

CAPITAL ASSETS:

Land		90,216
Buildings		163,919
Equipment and Vehicles		590,725
Water and Sewer Lines and Facilities		14,764,648
Less Accumulated Depreciation		(4,618,702)
TOTAL NON-CURRENT ASSETS		11,154,604
TOTAL ASSETS		14,083,563

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Charges		80,864
TOTAL DEFERRED OUTFLOWS OF RESOURCES		80,864

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable	\$	184,946
Accrued Liabilities		14,976
Interest Payable		4,725
Compensated Absences		9,444
Current Portion of Bonds, Notes and Capital Leases Payable		177,787
TOTAL CURRENT LIABILITIES		391,878

NON-CURRENT LIABILITIES:

Compensated Absences		9,444
Refundable Connection Fees		77,333
Bonds, Notes and Capital Leases Payable after One Year		3,152,499
Net Pension Liability		444,931
TOTAL NON-CURRENT LIABILITIES		3,684,207
TOTAL LIABILITIES		4,076,085

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Credits		4,417
TOTAL DEFERRED INFLOWS OF RESOURCES		4,417

NET POSITION

Net Investment in Capital Assets		7,824,318
Restricted		304,749
Unrestricted		1,954,858
TOTAL NET POSITION	\$	10,083,925

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND****YEAR ENDED JUNE 30, 2020**

	UTILITY FUND
OPERATING REVENUES	
Water Billings	\$ 786,548
Sewer Billings	1,593,150
Connection Fees	15,425
Tap Fees	53,660
Penalties	47,321
Reconnection Fees	4,520
Miscellaneous	24,360
TOTAL OPERATING REVENUES	2,524,984
OPERATING EXPENSES	
Salaries, Wages and Employee Benefits	492,415
Contractual Services, Materials, Supplies and Other Expenses	1,412,072
Depreciation Expense	391,275
TOTAL OPERATING EXPENSES	2,295,762
OPERATING INCOME (LOSS)	229,222
NON-OPERATING REVENUES (EXPENSES)	
Impact Fees	22,894
Interest Expense	(88,865)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(65,971)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	163,251
Capital Contributions	133,756
Transfers In (Out)	14,438
CHANGE IN NET POSITION	311,445
NET POSITION - BEGINNING	9,772,480
NET POSITION - ENDING	\$ 10,083,925

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	UTILITY FUND
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
CASH FLOWS FROM OPERATIONS:	
Receipts from Customers	\$ 2,477,829
Payments to Employees and Related Benefits	(511,136)
Payments to Suppliers	(1,734,831)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>231,862</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund Transfers In	14,438
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	<u>14,438</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact and Other Fees Received	22,896
Capital Contributions Received	133,756
Acquisition of Capital Assets	(302,764)
Principal Paid on Bonds, Notes and Capital Leases	(172,926)
Interest Paid on Bonds, Notes and Capital Leases	(88,865)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(407,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(2,813)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(2,813)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(164,416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,644,541</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,480,125</u></u>
CLASSIFIED AS:	
Current Assets	\$ 2,175,376
Restricted Assets	304,749
TOTALS	<u><u>\$ 2,480,125</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
OPERATING INCOME (LOSS)	\$ 229,222
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	391,275
CHANGE IN ASSETS AND LIABILITIES:	
Accounts Receivable	(47,155)
Inventory	1,814
Accounts Payable	(330,716)
Accrued Liabilities	5,003
Compensated Absences	(1,026)
Refundable Connection Fees	1,140
Net Pension Liability	(7,703)
CHANGE IN DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:	
Deferred Pension Charges	930
Deferred Pension Credits	(10,922)
TOTAL ADJUSTMENTS	<u>2,640</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 231,862</u></u>

The accompanying notes are an integral part of the financial statements.
See accompanying independent auditor's report.

NOTES TO FINANCIAL STATEMENTS

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The Town of Central, South Carolina (the Town), which was founded in 1876, has an estimated population of 7,000 living within an area of 2.85 square miles. The Town operates under a Council form of government. The Council appoints a Town Administrator who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Reporting Entity

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

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's financial statements to be misleading. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town.

Based upon the application of these criteria, the financial statements for the Town include the transactions of the Central Recreation Department (CRD). The CRD is a 501(c)(3) organization that promotes and coordinates various recreation activities for the Town. These amounts are blended within the Town's General Fund. A copy of the Central Recreation Department's financial statements for the year ended June 30, 2020 can be obtained by writing to the Town of Central, PO Box 549, Central, South Carolina 29630.

Major Operations

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

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

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

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

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

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

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

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

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following non-major special revenue funds:

Hospitality Tax

Victims Assistance

Curbside Recycling

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

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

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

C. Cash, Cash Equivalents, and Investments (continued):

- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments 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. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any town treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. 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 \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211- 1960.

D. Receivables and Payables

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

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

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Inventories and Prepaid Items

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

F. Capital Assets

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

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

G. Compensated Absences

The Town accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

H. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

I. Interfund Transactions

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

J. Fund Balance

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

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

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

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council formally granted the Town Administrator the right to make assignments of fund balance for the Town.

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

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

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

K. Net Position

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

L. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of deferred inflow of resources: (1) deferred revenue – business licenses not only in the governmental funds balance sheet but also in the government-wide Statement of Net Position. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. (2) Deferred Pension Credits. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

M. Pensions

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

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

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

N. Property Tax

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

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

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

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

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

O. Encumbrances

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

P. Accounting Estimates

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

Q. Comparative Data

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

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

R. Fair Value

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

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

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

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

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

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

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

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

TOWN OF CENTRAL, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

As of June 30, 2020, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs
State Government Local Investment Pool	N/A	\$ 762,129	\$ 762,129	-	-	-

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

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

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

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

Certain deposits and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2020 were (a) those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the Town's governmental activities for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,099,586	\$ -	\$ -	\$ 1,099,586
Construction-in-Progress	116,147	1,105,014	-	1,221,161
Total Capital Assets not being Depreciated	1,215,733	1,105,014	-	2,320,747
Capital Assets being Depreciated:				
Buildings	4,200,345	-	-	4,200,345
Equipment and Vehicles	3,627,437	671,629	(176,690)	4,122,376
Infrastructure	905,697	8,325	-	914,022
Total Capital Assets being Depreciated	8,733,479	679,954	(176,690)	9,236,743
Less Accumulated Depreciation for:				
Buildings	(1,997,441)	(106,729)	-	(2,104,170)
Equipment and Vehicles	(2,999,977)	(175,125)	176,690	(2,998,412)
Infrastructure	(419,111)	(32,854)	-	(451,965)
Total Accumulated Depreciation	(5,416,529)	(314,708)	176,690	(5,554,547)
Total Capital Assets being Depreciated, Net	3,316,950	365,246	-	3,682,196
Governmental Activities Capital Assets, Net	\$ 4,532,683	\$ 1,470,260	\$ -	\$ 6,002,943

Depreciation expense was charged to governmental functions as follows:

Function/Program	Depreciation Expense
General Administration	\$ 13,550
Public Safety	112,141
Streets and Sanitation	73,839
Community Service	3,776
Recreation and Tourism	111,402
Total Government Depreciation Expense	\$ 314,708

TOWN OF CENTRAL, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 3 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the Town's business-type activities for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 90,216	\$ -	\$ -	\$ 90,216
Construction-in-Progress	-	163,798	-	163,798
Total Capital Assets not being Depreciated	<u>90,216</u>	<u>163,798</u>	<u>-</u>	<u>254,014</u>
Capital Assets being Depreciated:				
Buildings	55,837	108,082	-	163,919
Equipment and Vehicles	563,824	30,884	(3,983)	590,725
Water and Sewer Lines and Facilities	14,764,648	-	-	14,764,648
Total Capital Assets being Depreciated	<u>15,384,309</u>	<u>138,966</u>	<u>(3,983)</u>	<u>15,519,292</u>
Less Accumulated Depreciation for:				
Buildings	(35,853)	(3,179)	-	(39,032)
Equipment and Vehicles	(474,443)	(32,920)	3,983	(503,380)
Water and Sewer Lines and Facilities	(3,721,114)	(355,176)	-	(4,076,290)
Total Accumulated Depreciation	<u>(4,231,410)</u>	<u>(391,275)</u>	<u>3,983</u>	<u>(4,618,702)</u>
Total Capital Assets being Depreciated, Net	<u>11,152,899</u>	<u>(252,309)</u>	<u>-</u>	<u>10,900,590</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,243,115</u>	<u>\$ (88,511)</u>	<u>\$ -</u>	<u>\$ 11,154,604</u>

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

<u>Function/Program</u>	<u>Depreciation Expense</u>
Water	\$ 36,099
Sewer	355,176
Total Business Type Depreciation Expense	<u>\$ 391,275</u>

TOWN OF CENTRAL, SOUTH CAROLINA**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 4 – LONG-TERM OBLIGATIONS:**

The Town may issue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. All other long-term indebtedness of the primary government is accounted for in the governmental column of the government-wide Statement of Net Position.

General Obligation Bonds - The Town issues general obligation bonds to provide for the acquisition and construction of major capital facilities. These are collateralized by the full faith, credit and taxing power of the Town. General obligation bonds outstanding as of June 30, 2020 are as follows:

General Obligation Bonds

\$565,000 General Obligation Bonds issued in April 2011, due in annual installments of \$45,000 to \$65,000 beginning on April 2012 through April 2021, plus interest of 3.3% due annually. The proceeds from this issue were used to acquire land to be used for recreation.

Total General Obligation Bonds

\$	65,000
<u>\$</u>	<u>65,000</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2021	\$ 65,000	\$ 2,158	\$ 67,158
Total	<u>\$ 65,000</u>	<u>\$ 2,158</u>	<u>\$ 67,158</u>

Revenue Bonds - The Town issued revenue bonds in its business-type activities where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding as of June 30, 2020 are as follows:

Revenue Bonds

\$2,444,000 Series 2016A Water and Sewer System Improvement Revenue Bonds dated March 2016 with annual principal payments of approximately \$36,000 to \$80,000, plus interest at 2.5% due monthly through March 2056.

\$	2,284,274
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\$523,000 Series 2016B Water and Sewer System Improvement Revenue Bonds dated March 2016 with annual principal payments of approximately \$7,000 to \$15,000, plus interest at 2.5% due monthly through March 2056.

488,795

\$500,000 Series 2018 Water and Sewer System Revenue Bonds dated March 2018 with annual principal payments of approximately \$92,000 to \$101,000, plus interest at 2.5% due monthly through March 2023.

Total Revenue Bonds Payable

	296,158
<u>\$</u>	<u>3,069,227</u>

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Annual debt service requirements to maturity for the revenue bonds are as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 147,374	\$ 76,303	\$ 223,677
2022	151,608	72,070	223,678
2023	147,115	67,715	214,830
2024	52,529	64,975	117,504
2025	53,857	63,647	117,504
2026-2030	290,417	297,103	587,520
2031-2035	329,041	258,479	587,520
2036-2040	372,806	214,714	587,520
2041-2045	422,389	165,131	587,520
2046-2050	478,569	108,951	587,520
2051-2055	542,218	45,302	587,520
2056-2060	81,304	637	81,941
Total	\$ 3,069,227	\$ 1,435,026	\$ 4,504,254

Loan Agreements - The Town entered into loan agreements in its business-type activities to pay for water facilities and distribution lines. Loan agreements outstanding as of June 30, 2020 are as follows:

Notes Payable

\$350,000 Note Payable initiated in January 2007, due in quarterly installments of approximately \$2,000 to \$4,000 beginning in April 2007 through January 2037, plus interest of 2.5%. The Town purchased elevated water tanks and distribution lines with the proceeds.

226,854

\$250,000 Note Payable initiated in January 2007, due in quarterly installments of approximately \$3,400 to \$5,000 beginning in April 2007 through January 2022, plus interest of 2.5%. The Town purchased elevated water tanks and distribution lines with the proceeds.

34,205

Total Notes Payable

\$ 261,059

Annual debt service requirements to maturity for the loan agreements are as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 30,413	\$ 6,129	\$ 36,542
2022	26,171	5,689	31,860
2023	11,615	5,003	16,618
2024	11,908	4,710	16,618
2025	12,208	4,410	16,618
2026-2030	65,820	17,270	83,090
2031-2035	74,556	8,534	83,090
2036-2040	28,368	714	29,082
Total	\$ 261,059	\$ 52,459	\$313,518

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Lease Purchase Agreements - The Town has entered into lease-purchase agreements for certain equipment. Principal and interest requirements will be provided by an appropriation in the year they become due. Lease purchases outstanding as of June 30, 2020 are as follows:

Capital Lease

\$413,174 Capital Lease entered into in July 2019, due in annual installments of \$60,000 beginning on August 2020 through August 2025, plus interest of 3.4% due annually. The proceeds from this issue were used to acquire a fire truck for the fire department.

Total Capital Leases

\$	413,174
<u>\$</u>	<u>413,174</u>

Annual debt service requirements to maturity for the capital lease are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2021	\$ 44,671	\$ 15,329	\$ 60,000
2022	47,540	12,460	60,000
2023	49,147	10,853	60,000
2024	50,809	9,191	60,000
2025	52,527	7,473	60,000
2026-2030	168,480	11,520	180,000
Total	<u>\$ 413,174</u>	<u>\$ 66,826</u>	<u>\$480,000</u>

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Debt:					
GO Bond - 4/11	\$ 125,000	\$ -	\$ (60,000)	\$ 65,000	\$ 65,000
Note Payable - 5/11	19,258	-	(19,258)	-	-
Capital Lease - 7/19	-	413,174	-	413,174	44,671
Total Bonds, Notes and Capital Leases Payable	<u>144,258</u>	<u>413,174</u>	<u>(79,258)</u>	<u>478,174</u>	<u>109,671</u>
Other Liabilities:					
Compensated Absences	86,038	22,426	-	108,464	54,232
Net Pension Liability	1,982,956	58,450	-	2,041,406	-
Total Other Liabilities	<u>2,068,994</u>	<u>80,876</u>	<u>-</u>	<u>2,149,870</u>	<u>54,232</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,213,252</u>	<u>\$ 494,050</u>	<u>\$ (79,258)</u>	<u>\$ 2,628,044</u>	<u>\$ 163,903</u>

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Business-Type Activities:					
Debt:					
Revenue Bond A - 3/16	\$ 2,323,430	\$ -	\$ (39,156)	\$ 2,284,274	\$ 40,146
Revenue Bond B - 3/16	497,174	-	(8,379)	488,795	8,590
Revenue Bond - 3/18	391,884	-	(95,726)	296,158	98,638
Note Payable - 1/07	237,632	-	(10,778)	226,854	11,050
Note Payable - 1/07	53,092	-	(18,887)	34,205	19,363
Total Bonds, Notes and Capital Leases Payable	3,503,212	-	(172,926)	3,330,286	177,787
Other Liabilities:					
Compensated Absences	19,914	-	(1,026)	18,888	9,444
Refundable Connection Fees	76,193	1,140	-	77,333	-
Net Pension Liability	452,634	-	(7,703)	444,931	-
Total Other Liabilities	548,741	1,140	(8,729)	541,152	9,444
Business-Type Activities Long-term Liabilities	\$ 4,051,953	\$ 1,140	\$ (181,655)	\$ 3,871,438	\$ 187,231

NOTE 5 – PENSION PLAN:

The Town participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

Plan Description

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

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

Membership

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

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

Plan Benefits

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

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

NOTE 5 – PENSION PLAN (CONTINUED):

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

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

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

Plan 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 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 employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS 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 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 contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

TOWN OF CENTRAL, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

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

	Fiscal Year 2020	Fiscal Year 2019
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

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

	Fiscal Year 2020	Fiscal Year 2019
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	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%

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

Actuarial Assumptions and Methods

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

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

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

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

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the June 30, 2019, TPL are as follows:

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

Net Pension Liability of the Plan

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

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$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.

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

Long-term expected rate of return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	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			7.66%

Discount Rate

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

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$2,313,331	\$1,836,282	\$1,438,157
PORS	880,979	650,055	460,870

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

At June 30, 2020, the Town reported a liability of \$2,041,406 for the governmental activities and \$444,931 for the business-type activities on the government wide financial statements for its proportionate share of the net pension liability. The NPL was measured as of June 30, 2019, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The Town's proportion of the NPL was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the Town's proportion for SCRS was 0.008042% (0.007726% at June 30, 2018). The Town's proportion for PORS was 0.022682% at June 30, 2019 (0.024861% at June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of approximately \$293,000 (approximately \$200,000 for the SCRS and approximately \$93,000 for the PORS).

At June 30, 2020, the Town's governmental activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,262	\$ 13,192
Assumption Changes	37,004	-
Net difference between projected and actual investment earnings	16,257	-
Change in allocated proportion	66,847	5,039
Contributions after the measurement date	160,909	-
Total	<u>\$ 282,279</u>	<u>\$ 18,231</u>

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,366	\$ 4,804
Assumption Changes	25,778	-
Net difference between projected and actual investment earnings	8,242	-
Change in allocated proportion	37,735	48,506
Contributions after the measurement date	51,456	-
Total	\$ 136,577	\$ 53,310

The amount of \$160,909 and \$51,456 reported as deferred outflows of resources related to pensions resulting from Town governmental activities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	SCRS Amount	PORS Amount	Total
2021	\$ 74,254	\$ 28,971	\$ 103,225
2022	4,086	9,823	13,909
2023	18,128	(6,859)	11,269
2024	6,671	(124)	6,547
2025	-	-	-
Thereafter	-	-	-
Total	\$ 103,139	\$ 31,811	\$ 134,950

Payable to Plans

The Town reported a payable of approximately \$26,000 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 for the SCRS and PORS.

NOTE 6 – INTERFUND TRANSFERS:***Interfund Transfers***

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Fund:</u>		
General Fund	\$ -	\$ 14,438
<u>Major Enterprise Fund:</u>		
Utility Fund	14,438	-
Totals	\$ 14,438	\$ 14,438

TOWN OF CENTRAL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 7 – CONTINGENT LIABILITIES AND COMMITMENTS:

Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2020.

NOTE 8 – RISK MANAGEMENT:

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

NOTE 9 – PRIOR PERIOD ADJUSTMENTS:

During fiscal 2020, the Town determined that a fund reported as an agency fund in the prior year should be reported as a special revenue fund.

During fiscal 2020, the Town also determined that capital assets recorded in a prior year would have been more appropriately classified as expenditures.

The total change to the government funds was an increase to fund balances of \$8,956 and a decrease to the agency fund statement of net position of the same amount. The total change to the governmental activities statement of net position was a decrease of \$178,039. There was a decrease in total net position for the City's government-wide financial statements as a result of these changes.

These items were corrected when they were discovered during the year ended June 30, 2020.

NOTE 10 – SUBSEQUENT EVENTS:

In October 2020, the Town purchased sewer equipment for approximately \$249,500.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Town's funding, demand for the Town's services, and the U.S. economy. These conditions could adversely affect the Town's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Town's operations or other businesses of the Town's suppliers and funding agencies, which could significantly disrupt the Town's operations and the operations of the Town's funding agencies. The extent of the adverse impact of the COVID-19 outbreak on the Town cannot be predicted at this time.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF CENTRAL, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 370,000	\$ 370,000	\$ 320,271	\$ (49,729)
Licenses, Permits and Fees	1,412,734	1,412,734	1,499,828	87,094
Fines and Forfeitures	31,500	31,500	34,244	2,744
Payments in Lieu of Taxes and Franchise Fees	357,550	357,550	362,892	5,342
Intergovernmental Revenues	959,300	959,300	1,186,391	227,091
Miscellaneous and Other	37,750	37,750	81,554	43,804
Income on Investments	550	550	12,995	12,445
TOTAL REVENUES	3,169,384	3,169,384	3,498,175	328,791
EXPENDITURES				
CURRENT OPERATING:				
General Administration	392,517	392,517	374,800	17,717
Judicial Services	124,202	124,202	118,131	6,071
Public Safety	978,409	978,409	1,061,389	(82,980)
Streets and Sanitation	456,817	456,817	555,664	(98,847)
Planning and Zoning	26,067	26,067	9,557	16,510
Economic Development	8,900	8,900	-	8,900
Community Service	77,430	77,430	140,856	(63,426)
Recreation and Tourism	876,695	876,695	1,294,611	(417,916)
Capital Expenditures	210,500	210,500	1,784,948	(1,574,448)
DEBT SERVICE:				
Principal	87,704	87,704	19,258	68,446
Interest	12,400	12,400	496	11,904
TOTAL EXPENDITURES	3,251,641	3,251,641	5,359,710	(2,108,069)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(82,257)	(82,257)	(1,861,535)	(1,779,278)
OTHER FINANCING SOURCES AND (USES)				
Proceeds from Sale of Capital Assets	-	-	12,652	12,652
Insurance Proceeds	-	-	7,927	7,927
Capital Contributions	-	-	1,179,481	1,179,481
Proceeds from Capital Lease	-	-	413,174	413,174
Interfund Transfers In	82,257	82,257	(14,438)	(96,695)
TOTAL OTHER FINANCING SOURCES AND (USES)	82,257	82,257	1,598,796	1,516,539
NET CHANGE IN FUND BALANCES	-	-	(262,739)	(262,739)
FUND BALANCES - BEGINNING	2,569,611	2,569,611	2,569,611	-
FUND BALANCES - ENDING	\$ 2,569,611	\$ 2,569,611	\$ 2,306,872	\$ (262,739)

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

See accompanying independent auditor's report.

TOWN OF CENTRAL**REQUIRED SUPPLEMENTAL INFORMATION****SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN****CONTRIBUTIONS TO THE COST SHARING PENSION PLAN****JUNE 30, 2020****NOTE 1 – SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE SCRS AND PORS NET PENSION LIABILITY:**

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

	SCRS					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Town's proportion of the net pension liability (asset)	0.008042%	0.007726%	0.007676%	0.007454%	0.008418%	0.007836%
Town's proportion share of the net pension liability (asset)	\$ 1,836,282	\$ 1,731,142	\$ 1,727,991	\$ 1,592,163	\$ 1,596,514	\$ 1,349,099
Town's covered payroll	\$ 849,196	\$ 800,627	\$ 774,533	\$ 721,844	\$ 789,312	\$ 731,548
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	216.24%	216.22%	223.10%	220.57%	202.27%	184.42%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.30%	52.91%	57.00%	59.90%

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

	PORS					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Town's proportion of the net pension liability (asset)	0.02268%	0.02486%	0.02288%	0.02122%	0.02350%	0.02311%
Town's proportion share of the net pension liability (asset)	\$ 650,055	\$ 704,448	\$ 626,729	\$ 538,189	\$ 512,116	\$ 442,462
Town's covered payroll	\$ 328,997	\$ 344,113	\$ 308,076	\$ 270,502	\$ 291,096	\$ 265,841
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	197.59%	204.71%	203.43%	198.96%	175.93%	166.44%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.90%	60.44%	64.60%	67.50%

Notes to Schedule:

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

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

TOWN OF CENTRAL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

NOTE 1 – SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE SCRS AND PORS NET PENSION LIABILITY (CONTINUED):

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

	SCRS					
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 138,851	\$ 123,643	\$ 108,565	\$ 89,536	\$ 79,836	\$ 86,035
Contributions in relation to the contractually required contribution	(138,851)	(123,643)	(108,565)	(89,536)	(79,836)	(86,035)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 892,359	\$ 849,196	\$ 800,627	\$ 774,533	\$ 721,844	\$ 789,312
Contributions as a percentage of covered payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

Notes to SCRS Schedule:

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

The contractually required contribution rate was increased from 14.56% to 15.56% of eligible payroll effective July 1, 2019.

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

	PORS					
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 73,516	\$ 56,719	\$ 55,884	\$ 43,870	\$ 37,167	\$ 39,036
Contributions in relation to the contractually required contribution	(73,516)	(56,719)	(55,884)	(43,870)	(37,167)	(39,036)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 403,048	\$ 328,997	\$ 344,113	\$ 308,076	\$ 270,502	\$ 291,096
Contributions as a percentage of covered payroll	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to PORS Schedule:

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

The contractually required contribution rate was increased from 17.24% to 18.24% of eligible payroll effective July 1, 2019.

SUPPLEMENTAL INFORMATION

TOWN OF CENTRAL, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2020

	HOSPITALITY TAX	VICTIM ASSISTANCE	FIRE FUND	CURBSIDE RECYCLING	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS					
Cash and Other Cash Deposits	\$ -	\$ -	\$ -	\$ 672	\$ 672
Restricted Cash and Cash Deposits	305,217	29,078	24,960	-	359,255
Accounts Receivable	11,321	-	-	-	11,321
TOTAL ASSETS	<u>\$ 316,538</u>	<u>\$ 29,078</u>	<u>\$ 24,960</u>	<u>\$ 672</u>	<u>\$ 371,248</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts Payable	\$ 1,594	\$ -	\$ -	\$ 158	\$ 1,752
TOTAL LIABILITIES	<u>1,594</u>	<u>-</u>	<u>-</u>	<u>158</u>	<u>1,752</u>
FUND BALANCES:					
RESTRICTED FOR:					
Judicial Services	-	29,078	-	-	29,078
Public Safety	-	-	24,960	-	24,960
Recreation and Tourism	314,944	-	-	-	314,944
COMMITTED TO:					
Streets and Sanitation	-	-	-	514	514
TOTAL FUND BALANCES	<u>314,944</u>	<u>29,078</u>	<u>24,960</u>	<u>514</u>	<u>369,496</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 316,538</u>	<u>\$ 29,078</u>	<u>\$ 24,960</u>	<u>\$ 672</u>	<u>\$ 371,248</u>

See independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2020

	HOSPITALITY TAX	VICTIM ASSISTANCE	FIRE FUND	CURBSIDE RECYCLING	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES					
Licenses, Permits and Fees	\$ 138,599	\$ -	\$ -	\$ 2,341	\$ 140,940
Fines and Forfeitures	-	4,564	-	-	4,564
Intergovernmental Revenue	19,357	-	16,004	-	35,361
Miscellaneous Income	3,490	-	-	-	3,490
TOTAL REVENUES	161,446	4,564	16,004	2,341	184,355
EXPENDITURES					
CURRENT OPERATING:					
Judicial Services	-	1,812	-	-	1,812
Recreation and Tourism	107,759	-	-	-	107,759
Streets and Sanitation	-	-	-	3,993	3,993
DEBT SERVICE:					
Principal	60,000	-	-	-	60,000
Interest	4,150	-	-	-	4,150
TOTAL EXPENDITURES	171,909	1,812	-	3,993	177,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,463)	2,752	16,004	(1,652)	6,641
OTHER FINANCING SOURCES AND (USES)					
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(10,463)	2,752	16,004	(1,652)	6,641
FUND BALANCE, BEGINNING OF YEAR - As Previously Reported	325,407	26,326	-	2,166	353,899
Prior Period Adjustment	-	-	8,956	-	8,956
FUND BALANCES, BEGINNING OF YEAR - As Restated	325,407	26,326	8,956	2,166	362,855
FUND BALANCES, ENDING	\$ 314,944	\$ 29,078	\$ 24,960	\$ 514	\$ 369,496

See independent auditor's report.

TOWN OF CENTRAL, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 77,854	\$ 77,854
Court fines and assessments remitted to State Treasurer			(47,387)	(47,387)
Total Court Fines and Assessments retained			30,467	30,467
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,313	1,313
Assessments retained			3,440	3,440
Total Surcharges and Assessments retained for victim services			\$ 4,753	\$ 4,753

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 26,326		\$ 26,326
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	3,440		3,440
Victim Service Surcharges Retained by City/County Treasurer	1,313		1,313
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	31,079		31,079
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	3,615		3,615
Operating Expenditures	(1,614)		(1,614)
Victim Service Contract(s):			
(1) Oconee County	-		-
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	2,001		2,001
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ 29,078		\$ 29,078

See independent auditor's report.

COMPLIANCE SECTION



**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***

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Central, South Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Central, South Carolina (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2020 A.1).

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (2020 A.2).

Compliance and Other Matters

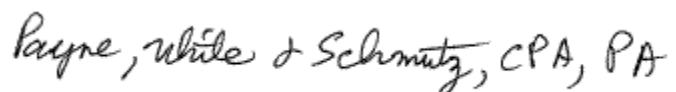
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

The Town's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Payne, White & Schmutz, CPA, PA". The signature is written in a cursive, flowing style.

Payne, White & Schmutz, CPA, PA

December 17, 2020

TOWN OF CENTRAL, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2020 A.1 - Preparation of financial statements in accordance with generally accepted accounting principles.

Material Weakness

Condition and criteria: Internal controls over financial reporting should be in place to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.

Effect: Management does not prepare financial statements in accordance with prescribed requirements. A material misstatement to the Town's financial statements could occur and not be prevented or detected and corrected by the Town's internal controls over financial reporting.

Cause: Currently, management responsible for the accounting and reporting function does not prepare the Town's financial statements in accordance with generally accepted accounting principles.

Auditor's recommendation: Consideration should be given to requiring management to prepare financial statements in accordance with generally accepted accounting principles.

Auditee's response: The Town's management considers the risk tolerable when compared to the cost of implementing a mitigating control.

2020 A.2 - Segregation of duties over accounting duties.

Significant deficiency

Condition and Criteria: Internal controls over disbursements and collections should be in place to ensure that adequate documentation is being maintained for each disbursement made and to provide proper segregation of duties over the authorization, purchasing, check signing functions, collections, deposits, and bank reconciliations.

Effect: Because there is no proper segregation of duties related to disbursements and collections, there could be instances of misappropriations of assets.

Cause: The Town Finance Director has the power to record transactions as well as maintain custody of the assets. This involves recording transactions in the general ledger, reconciling bank statements, approving wire transfers and various other activities. This represents a significant deficiency in an Entity's internal control.

Auditors Recommendation: Controls over cash disbursements and collections would be improved if the individual responsible for recording transactions and writing checks did not have authority over the bank reconciliation process.

Auditee's Response: The Town has a limited staff. However, they will attempt to segregate accounting duties when possible.