

Town of Iva, South Carolina

**Annual Financial Statements
For the Year Ended June 30, 2017**

TOWN OF IVA, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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To the Town Council
Town of Iva, South Carolina

Report on the Financial Statements

We have audited the accompanying statement of net position of the governmental activities and the business-type activities, the balance sheet of the governmental funds, and the statement of net position of the proprietary funds of the Town of Iva, South Carolina as of June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however we were not able to obtain sufficient evidence to provide a basis for an audit opinion on the statement of activities of the governmental activities and the business-type activities, the statement of revenues, expenditures, and changes in fund balance of the governmental funds, the statement of revenues, expenses, and changes in net position of the proprietary funds, and the statement of cash flows of the proprietary funds.

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 on the statement of net position of the governmental activities and the business-type activities, the balance sheet of the governmental funds, and the statement of net position of the proprietary funds.

Basis for Disclaimer of Opinion on the Statement of Activities of the Governmental Activities and the Business-Type Activities, the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds, the Statement of Revenues, Expenses, and Changes in Net Position of the Proprietary Funds, and the Statement of Cash Flows of the Proprietary Funds

The Town of Iva, South Carolina's statement of activities of the governmental activities and the business-type activities, the statement of revenues, expenditures, and changes in fund balance of the governmental funds, the statement of revenues, expenses, and changes in net position of the proprietary funds, and the statement of cash flows of the proprietary funds for the year ended June 30, 2017 have not been audited because we were not engaged to audit them.

Disclaimer of Opinion on the Statement of Activities of the Governmental Activities and the Business-Type Activities, the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds, the Statement of Revenues, Expenses, and Changes in Net Position of the Proprietary Funds, and the Statement of Cash Flows of the Proprietary Funds

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities of the governmental activities and the business-type activities, the statement of revenues, expenditures, and changes in fund balance of the governmental funds, the statement of revenues, expenses, and changes in net position of the proprietary funds, and the statement of cash flows of the proprietary funds of the Town of Iva, South Carolina for the year ended June 30, 2017. Accordingly, we do not express an opinion on the financial statements listed in this paragraph.

Unmodified Opinions on the Statement of Net Position of the Governmental Activities and the Business-Type Activities, the Balance Sheet of the Governmental Funds, and the Statement of Net Position of the Proprietary Funds

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, the governmental funds, and the proprietary funds of the Town of Iva, South Carolina as of June 30, 2017, 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 budgetary comparison information and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the statement of net position of the governmental activities and the business-type activities, the balance sheet of the governmental funds, and the statement of net position of the proprietary funds is not affected by this missing information.

Other Information

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

The budgetary comparison schedule – proprietary fund and the schedule of fines, assessments, surcharges and other fees – for state treasurer requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not 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. Accordingly, we do not express an opinion on whether the budgetary comparison schedule – proprietary fund and the schedule of fines, assessments, surcharges and other fees – for state treasurer requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Stancel Cooley Esq. & Hunner, LLP". The signature is written in a cursive, flowing style.

Seneca, South Carolina
January 19, 2019

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Other Cash Deposits	\$ 10,640	\$ -	\$ 10,640
Taxes Receivable	5,078	-	5,078
Accounts Receivable	45,578	60,236	105,814
Due from Other Governments	27,645	-	27,645
Bond Issuance Costs	-	7,750	7,750
RESTRICTED ASSETS:			
Cash and Other Cash Deposits	-	4,203	4,203
CAPITAL ASSETS:			
Non - Depreciable	284,262	53,107	337,369
Depreciable	2,024,725	6,094,661	8,119,386
Less Accumulated Depreciation	(1,044,569)	(1,324,427)	(2,368,996)
TOTAL ASSETS	1,353,359	4,895,530	6,248,889
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	367,805	12,850	380,655
TOTAL DEFERRED OUTFLOWS OF RESOURCES	367,805	12,850	380,655
LIABILITIES			
Accounts Payable	19,406	661,351	680,757
Accrued Liabilities	85,801	2,398	88,199
Customers Deposits	-	42,767	42,767
NON-CURRENT LIABILITIES			
DUE WITHIN ONE YEAR:			
Bonds Payable	113,828	24,477	138,305
DUE IN MORE THAN ONE YEAR:			
Bonds Payable	141,762	1,204,509	1,346,271
Net Pension Liability	945,953	41,234	987,187
TOTAL LIABILITIES	1,306,750	1,976,736	3,283,486
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	23,075	3,639	26,714
TOTAL DEFERRED INFLOWS OF RESOURCES	23,075	3,639	26,714
NET POSITION			
Net Investment in Capital Assets	1,008,828	3,594,355	4,603,183
Restricted For:			
Recreation and Tourism	4,925	-	4,925
Sewer Improvements	-	4,203	4,203
Unrestricted	(622,414)	(670,553)	(1,292,967)
TOTAL NET POSITION	\$ 391,339	\$ 2,928,005	\$ 3,319,344

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

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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	\$ 372,639	\$ 107,676	\$ -	\$ -	\$ (264,963)	\$ -	\$ (264,963)
Public Safety	764,012	79,453	220,000	1,200	(463,359)	-	(463,359)
Recreation and Tourism	33,131	-	-	-	(33,131)	-	(33,131)
Interest on Long-Term Debt	16,428	-	-	-	(16,428)	-	(16,428)
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,186,210</u>	<u>187,129</u>	<u>220,000</u>	<u>1,200</u>	<u>(777,881)</u>	<u>-</u>	<u>(777,881)</u>
BUSINESS-TYPE ACTIVITIES							
Water and Sewer Activity	745,198	519,335	-	609,171	-	383,308	383,308
Cemetery	51,489	54,458	-	-	-	2,969	2,969
TOTAL BUSINESS-TYPE ACTIVITIES	<u>796,687</u>	<u>573,793</u>	<u>-</u>	<u>609,171</u>	<u>-</u>	<u>386,277</u>	<u>386,277</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,982,897</u>	<u>\$ 760,922</u>	<u>\$ 220,000</u>	<u>\$ 610,371</u>	<u>(777,881)</u>	<u>386,277</u>	<u>(391,604)</u>
GENERAL REVENUES:							
Property Taxes, Levied for General Purposes					426,965	-	426,965
Hospitality Tax					55,862	-	55,862
State Accommodation Taxes					304	-	304
Payments in Lieu of Taxes and Franchise Fees					119,947	-	119,947
Grants and Contributions not Restricted to Specific Programs					55,928	-	55,928
Interest Income					9	-	9
Interfund Transfer					(64,895)	64,895	-
Miscellaneous					20,333	-	20,333
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					<u>614,453</u>	<u>64,895</u>	<u>679,348</u>
CHANGE IN NET POSITION					<u>(163,428)</u>	<u>451,172</u>	<u>287,744</u>
NET POSITION - BEGINNING					<u>554,767</u>	<u>2,476,833</u>	<u>3,031,600</u>
NET POSITION - ENDING					<u>\$ 391,339</u>	<u>\$ 2,928,005</u>	<u>\$ 3,319,344</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	<u>SPECIAL REVENUE</u>			<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>HOSPITALITY TAX FUND</u>	<u>VICTIM'S ASSISTANCE FUND</u>	
ASSETS				
Cash and Other Cash Deposits	\$ 10,640	\$ -	\$ -	\$ 10,640
Taxes Receivable	5,078	-	-	5,078
Accounts Receivable	40,653	4,925	-	45,578
Due from Other Governments	27,645	-	-	27,645
TOTAL ASSETS	\$ 84,016	\$ 4,925	\$ -	\$ 88,941
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts Payable	19,406	-	-	19,406
Accrued Liabilities	85,801	-	-	85,801
TOTAL LIABILITIES	105,207	-	-	105,207
FUND BALANCES:				
Restricted For:				
Recreation and Tourism	-	4,925	-	4,925
Unassigned:	(21,191)	-	-	(21,191)
TOTAL FUND BALANCE	(21,191)	4,925	-	(16,266)
TOTAL LIABILITIES AND FUND BALANCES	\$ 84,016	\$ 4,925	\$ -	\$ 88,941

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

TOWN OF IVA, SOUTH CAROLINA

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

June 30, 2017

Fund balances - total governmental funds \$ (16,266)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$2,308,987 and the accumulated depreciation was \$1,044,569. 1,264,418

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. (601,223)

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. (255,590)

Net position of governmental activities \$ 391,339

TOWN OF IVA, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE			TOTAL
	GENERAL FUND	HOSPITALITY TAX FUND	VICTIM'S ASSISTANCE FUND	
REVENUES				
Property Taxes	\$ 426,965	\$ -	\$ -	\$ 426,965
Intergovernmental Revenue	277,432	-	-	277,432
Payment in Lieu of Taxes and Franchise Fees	119,947	-	-	119,947
Licenses, Permits and Fees	119,160	-	-	119,160
Fines and Forfeitures	51,443	-	-	51,443
Hospitality Income	-	56,917	-	56,917
Interest Income	9	-	-	9
Miscellaneous and Other	35,804	-	-	35,804
TOTAL REVENUES	<u>1,030,760</u>	<u>56,917</u>	<u>-</u>	<u>1,087,677</u>
EXPENDITURES				
CURRENT OPERATING:				
General Administration	326,530	-	-	326,530
Public Safety	644,727	-	6,282	651,009
Recreation and Tourism	4,750	28,381	-	33,131
DEBT SERVICE:				
Principal	29,099	20,595	-	49,694
Interest	11,664	4,764	-	16,428
TOTAL EXPENDITURES	<u>1,016,770</u>	<u>53,740</u>	<u>6,282</u>	<u>1,076,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,990	3,177	(6,282)	10,885
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	11,991	-	6,282	18,273
Interfund Transfers (Out)	(79,991)	(3,177)	-	(83,168)
Other Financing Sources	75,000	-	-	75,000
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>7,000</u>	<u>(3,177)</u>	<u>6,282</u>	<u>10,105</u>
NET CHANGE IN FUND BALANCES	<u>20,990</u>	<u>-</u>	<u>-</u>	<u>20,990</u>
FUND BALANCES - BEGINNING	<u>(42,181)</u>	<u>4,925</u>	<u>-</u>	<u>(37,256)</u>
FUND BALANCES - ENDING	<u>\$ (21,191)</u>	<u>\$ 4,925</u>	<u>\$ -</u>	<u>\$ (16,266)</u>

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

TOWN OF IVA, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	20,990
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$74,996 was exceeded by capital asset additions in the current period.	(74,996)
The issuance of long-term obligations provides current financial resources to government funds, but issuing debt or entering into lease purchase obligations also increases long-term liabilities in the Statement of Net Position.	(75,000)
Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	49,694
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>(84,116)</u>
Change in net position of governmental activities	<u>\$ (163,428)</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2017

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS:			
Accounts Receivable, Net	\$ 60,236	\$ -	\$ 60,236
TOTAL CURRENT ASSETS	<u>60,236</u>	<u>-</u>	<u>60,236</u>
NON-CURRENT ASSETS:			
Bond Issuance Cost	7,750	-	7,750
RESTRICTED ASSETS:			
Cash and Other Cash Deposits	4,203	-	4,203
CAPITAL ASSETS:			
Land	53,107	-	53,107
Buildings	55,488	-	55,488
Vehicles	22,058	-	22,058
Water Lines and Facilities	5,939,348	-	5,939,348
Machinery and Equipment	65,927	11,840	77,767
Less Accumulated Depreciation	<u>(1,312,587)</u>	<u>(11,840)</u>	<u>(1,324,427)</u>
TOTAL CAPITAL ASSETS	<u>4,823,341</u>	<u>-</u>	<u>4,823,341</u>
TOTAL NON-CURRENT ASSETS	<u>4,835,294</u>	<u>-</u>	<u>4,835,294</u>
TOTAL ASSETS	<u>4,895,530</u>	<u>-</u>	<u>4,895,530</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	12,850	-	12,850
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,850</u>	<u>-</u>	<u>12,850</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	661,351	-	661,351
Other Accrued Liabilities	2,398	-	2,398
Customer Deposits	42,767	-	42,767
TOTAL CURRENT LIABILITIES	<u>706,516</u>	<u>-</u>	<u>706,516</u>
NON-CURRENT LIABILITIES:			
Bonds Payable	1,228,986	-	1,228,986
Net Pension Liability	41,234	-	41,234
TOTAL LIABILITIES	<u>1,976,736</u>	<u>-</u>	<u>1,976,736</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	3,639	-	3,639
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,639</u>	<u>-</u>	<u>3,639</u>
NET POSITION			
Net Investment in Capital Assets	3,594,355	-	3,594,355
Restricted For:			
Sewer Improvements	4,203	-	4,203
Unrestricted:	<u>(670,553)</u>	<u>-</u>	<u>(670,553)</u>
TOTAL NET POSITION	<u>\$ 2,928,005</u>	<u>\$ -</u>	<u>\$ 2,928,005</u>

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

TOWN OF IVA, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Water Sales and Sewer Charges	\$ 519,041	\$ -	\$ 519,041
Miscellaneous Income	294	-	294
Grave Opening and Closing	-	30,810	30,810
Sales of Graves and Markers	-	23,648	23,648
TOTAL OPERATING REVENUES	<u>519,335</u>	<u>54,458</u>	<u>573,793</u>
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	85,227	15,688	100,915
Contractual Services, Materials, Supplies and Other Expenses	501,902	35,801	537,703
Depreciation Expense	134,779	-	134,779
TOTAL OPERATING EXPENSES	<u>721,908</u>	<u>51,489</u>	<u>773,397</u>
OPERATING INCOME (LOSS)	<u>(202,573)</u>	<u>2,969</u>	<u>(199,604)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Expense	(23,290)	-	(23,290)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(23,290)</u>	<u>-</u>	<u>(23,290)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(225,863)	2,969	(222,894)
Capital Contribution	609,171	-	609,171
Transfers	73,709	(8,814)	64,895
CHANGE IN NET POSITION	457,017	(5,845)	451,172
NET POSITION - BEGINNING	<u>2,470,988</u>	<u>5,845</u>	<u>2,476,833</u>
NET POSITION - ENDING	<u><u>\$ 2,928,005</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,928,005</u></u>

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

TOWN OF IVA SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	<u>UTILITY FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
CASH FLOWS FROM OPERATIONS:			
Receipts from Customers	\$ 505,889	\$ 60,303	\$ 566,192
Payments to Employees and Related Benefits	(85,227)	(15,688)	(100,915)
Payments to Suppliers	(444,044)	(35,801)	(479,845)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(23,382)</u>	<u>8,814</u>	<u>(14,568)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interfund Transfers In	73,709	-	73,709
Interfund Transfers (Out)	-	(8,814)	(8,814)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>73,709</u>	<u>(8,814)</u>	<u>64,895</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bond	(24,001)	-	(24,001)
Purchase of Capital Assets	(609,271)	-	(609,271)
Interest Paid	(23,290)	-	(23,290)
Grant Contribution	609,171	-	609,171
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(47,391)</u>	<u>-</u>	<u>(47,391)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,936	-	2,936
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,267</u>	<u>-</u>	<u>1,267</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,203</u>	<u>\$ -</u>	<u>\$ 4,203</u>
CLASSIFIED AS:			
Current Assets	\$ -	\$ -	\$ -
Restricted Assets	4,203	-	4,203
TOTALS	<u>\$ 4,203</u>	<u>\$ -</u>	<u>\$ 4,203</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ (202,573)	\$ 2,969	\$ (199,604)
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation and Amortization	134,779	-	134,779
CHANGE IN ASSETS AND LIABILITIES:			
Accounts Receivable	(7,207)	5,845	(1,362)
Accounts Payable	61,073	-	61,073
Accrued Payroll	(158)	-	(158)
Customer Deposits	(3,955)	-	(3,955)
Net Pension Liability	3,870	-	3,870
Deferred Pension Charges	(12,850)	-	(12,850)
Deferred Pension Credits	3,639	-	3,639
TOTAL ADJUSTMENTS	<u>179,191</u>	<u>5,845</u>	<u>185,036</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (23,382)</u>	<u>\$ 8,814</u>	<u>\$ (14,568)</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Reporting Entity

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

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

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

Major Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

D. Receivables and Payables

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

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

E. Inventories and Prepaid Items

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

F. Capital Assets

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

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

G. Compensated Absences

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

H. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

I. Interfund Transactions

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

J. Fund Balance

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

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

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

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

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

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

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

J. Fund Balance (continued):

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

K. Net Position

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Property Tax

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

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

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

M. Property Tax (continued):

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

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

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

N. Encumbrances

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

O. Accounting Estimates

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

P. Pensions

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

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

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

Q. Fair Value

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

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

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

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

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

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

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

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

R. Comparative Data

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

S. Adoption of Accounting Principle

The Town implemented GASB Statement No. 77 "*Tax Abatement Disclosures*" ("GASB #77") for the year ended June 30, 2017. The primary objective of GASB #77 was to provide tax abatement information to financial statement users so that they could more readily evaluate a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individual and entities that is beneficial to the government or its citizens. Although many governments offer tax abatements, the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future, is lacking. GASB #77 requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The adoption of GASB #77 had no impact on the Town's financial statements.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 2 – DEPOSITS:

Deposits

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

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

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

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

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

Certain deposits and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2017 were (a) those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 284,262	\$ -	\$ -	\$ 284,262
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciated	<u>284,262</u>	<u>-</u>	<u>-</u>	<u>284,262</u>
Capital Assets being Depreciated:				
Buildings and Improvements	1,533,002	-	-	1,533,002
Equipment and Vehicles	<u>491,723</u>	<u>-</u>	<u>-</u>	<u>491,723</u>
Total Capital Assets being Depreciated	<u>2,024,725</u>	<u>-</u>	<u>-</u>	<u>2,024,725</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(531,064)	(48,065)	-	(579,129)
Equipment and Vehicles	<u>(438,509)</u>	<u>(26,931)</u>	<u>-</u>	<u>(465,440)</u>
Total Accumulated Depreciation	<u>(969,573)</u>	<u>(74,996)</u>	<u>-</u>	<u>(1,044,569)</u>
Total Capital Assets being Depreciated, Net	<u>1,055,152</u>	<u>(74,996)</u>	<u>-</u>	<u>980,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,339,414</u>	<u>\$ (74,996)</u>	<u>\$ -</u>	<u>\$ 1,264,418</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 21,109
Public Safety	<u>53,887</u>
Total Depreciation Expense	<u>\$ 74,996</u>

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 3 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2017, was as follows:

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 53,107	\$ -	\$ -	\$ 53,107
Total Capital Assets not being Depreciated	<u>53,107</u>	<u>-</u>	<u>-</u>	<u>53,107</u>
Capital Assets being Depreciated:				
Buildings and Improvements	55,488	-	-	55,488
Equipment and Vehicles	99,825	-	-	99,825
Water Lines and Facilities	5,330,077	609,271	-	5,939,348
Total Capital Assets being Depreciated	<u>5,485,390</u>	<u>609,271</u>	<u>-</u>	<u>6,094,661</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(55,488)	-	-	(55,488)
Equipment and Vehicles	(99,746)	(78)	-	(99,824)
Water Lines and Facilities	(1,034,415)	(134,700)	-	(1,169,115)
Total Accumulated Depreciation	<u>(1,189,649)</u>	<u>(134,778)</u>	<u>-</u>	<u>(1,324,427)</u>
Total Capital Assets being Depreciated, Net	<u>4,295,741</u>	<u>474,493</u>	<u>-</u>	<u>4,770,234</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,348,848</u>	<u>\$ 474,493</u>	<u>\$ -</u>	<u>\$ 4,823,341</u>

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

Water and Sewer	\$ 134,778
Cemetery	-
Total Depreciation Expense	<u>\$ 134,778</u>

NOTE 4 – LONG-TERM OBLIGATIONS:

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.

Summarized below are the Town’s individual bond and capital lease issues which are outstanding at June 30, 2017:

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
Governmental Activities:					
Revenue Bond Series 2011	June 2020	168,000	64,932	5.750%	\$ 23,955
General Obligation Bond Series 2013	April 2022	150,000	91,829	6.000%	22,470
Tax Anticipation Note	Upon Demand	75,000	70,206	4.500%	70,206
Bank Loan	December 2017	53,255	28,623	5.000%	10,293
Total Governmental Activities		<u>\$ 446,255</u>	<u>\$ 255,590</u>		
Business-Type Activities:					
Revenue Bonds, Series 2013	March 2053	<u>1,259,000</u>	<u>1,228,986</u>	1.875%	\$ 47,292
Total Business-Type Activities		<u>\$ 1,259,000</u>	<u>\$ 1,228,986</u>		

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue Bond Payable	\$ 85,527	\$ -	\$ (20,595)	64,932	\$ 20,708
General Obligation Bond Payable	107,508	-	(15,679)	91,829	16,791
Tax Anticipation Note	-	75,000	(4,794)	70,206	70,206
Bank Loan	37,249	-	(8,626)	28,623	6,123
Total Governmental Activities	<u>\$ 230,284</u>	<u>\$ 75,000</u>	<u>\$ (49,694)</u>	<u>\$ 255,590</u>	<u>\$ 113,828</u>
Business - Type Activities:					
Revenue Bonds Payable	\$ 1,252,987	\$ -	\$ (24,001)	1,228,986	\$ 24,477
Total Business Type Activities	<u>\$ 1,252,987</u>	<u>\$ -</u>	<u>\$ (24,001)</u>	<u>\$ 1,228,986</u>	<u>\$ 24,477</u>

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Presented below is a summary of debt service requirements to maturity by year for the Town’s governmental and business-type activities as of June 30, 2017:

Fiscal Year	Governmental Activities			Business-Type Activities			Total
	Principal	Interest	Total	Principal	Interest	Total	Primary Government
2018	\$ 113,828	\$ 10,112	\$ 123,940	\$ 24,477	\$ 22,815	\$ 47,292	\$ 171,232
2019	49,295	7,415	56,710	24,940	22,351	47,291	104,001
2020	51,276	4,343	55,619	25,412	21,880	47,292	102,911
2021	19,999	2,703	22,702	25,893	21,399	47,292	69,994
2022	21,192	1,272	22,464	26,382	20,910	47,292	69,756
2023-2027	-	-	-	139,587	96,873	236,460	236,460
2028-2032	-	-	-	153,295	83,165	236,460	236,460
2033-2037	-	-	-	168,349	68,111	236,460	236,460
2038-2042	-	-	-	184,882	51,578	236,460	236,460
2043-2047	-	-	-	203,038	33,422	236,460	236,460
2048-2052	-	-	-	222,978	13,483	236,461	236,461
2053-2057	-	-	-	29,753	186	29,939	29,939
Total	\$ 255,590	\$ 25,845	\$ 281,435	\$ 1,228,986	\$ 456,173	\$ 1,685,159	\$ 1,966,594

NOTE 5- RISK MANAGEMENT:

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

NOTE 6 – PENSION PLAN:

Plan Description

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems’ Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits’ link on PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Plan Description

The Town participates in the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit pension plan, which was established effective 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 allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective 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 allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

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

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

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Plan Benefits (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 Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation as follows for the past two years:

Required employee contribution rates for the following fiscal years are as follows:

	Fiscal Year 2017	Fiscal Year 2016
SCRS		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
PORS		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Plan Contributions (continued):

- Required employer contributions for the following fiscal years are as follows:

	Fiscal Year 2017	Fiscal Year 2016
SCRS		
Employer Class Two	11.41%	10.91%
Employer Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.84%	13.34%
Employer Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

Contributions to the pension plan from the Town were as follows:

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
\$ 65,718	\$ 62,444	\$ 43,907

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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 July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2015 actuarial valuations as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Actuarial Assumptions and Methods (continued):

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2015, valuations for SCRS and PORS:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75%	2.75%
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. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-term expected rate of return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflations for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2016 (to be used for June 30, 2017 reports), 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	\$45,356,214,752	\$23,996,362,354	\$21,359,852,398	52.9%
PORS	\$6,412,510,458	\$3,876,035,732	\$2,536,474,726	60.4%

The total pension liability is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 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 IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued):

At June 30, 2017, the Town reported a liability of \$945,953 for the governmental activities and \$41,234 for the business-type activities on the government wide financial statements for its proportionate share of the net pension liability. The annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. The Town’s proportion of the net pension liability 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 by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company. At June 30, 2016, the Town’s proportion for SCRS was 0.001417%. The Town’s proportion for PORS was 0.02699% at June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of approximately \$65,000.

At June 30, 2017, the Town’s governmental activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>SCRS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,138	\$ 329
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	35,748	10,284
Change in allocated proportion	-	26,385
Contributions after the measurement date	56,765	-
Total	<u>\$ 95,651</u>	<u>\$ 36,998</u>

<u>PORS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,157	\$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	107,508	29,890
Change in allocated proportion	198,560	-
Contributions after the measurement date	8,953	-
Total	<u>\$ 325,178</u>	<u>\$ 29,890</u>

TOWN OF IVA, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued):

The amount of \$56,765 and \$8,953 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, 2017. 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	PORS	Amount
	Amount	Amount	
2018	\$ (5,171)	\$ 77,727	\$ 72,556
2019	(6,811)	77,212	70,401
2020	8,144	85,761	93,905
2021	5,726	45,635	51,361
2022	-	-	-
Thereafter	-	-	-
Total	\$ 1,888	\$ 286,335	\$ 288,223

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the 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 total pension liability.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$377,571	\$302,669	\$240,516
PORS	897,120	684,518	493,456

South Carolina Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the SCRS plan administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

TOWN OF IVA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED):

Plan Developments

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS and PORS contribution rates to 13.56% and 16.24%, respectively, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS and PORS employer rate totaling 18.56% and 21.24%, respectively, for fiscal year 2023 and thereafter. The legislation (a) would also increase and cap the employee SCRS and PORS contribution rates to 9.00% and 9.75%, respectively, after June 30, 2027, (b) provide for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (c) lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (d) for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

NOTE 7 – POST-EMPLOYMENT EMPLOYEE BENEFITS:

In 2004, GASB issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (“Statement”). This Statement establishes standards for the measurement, recognition and display of Other Postemployment Benefits (“OPEB”) expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Town implemented Statement No. 45 in fiscal year 2010. This implementation had no impact as the Town currently does not provide any OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

NOTE 8 – INTERFUND TRANSFERS:

Interfund Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government		
By Fund:		
General Fund	\$ 11,991	\$ 79,991
Hospitality Tax Fund	-	3,177
Victim’s Fund	6,282	-
Water Sewer Fund	73,709	-
Cemetery Fund	-	8,814
Total Primary Government	<u>\$ 91,982</u>	<u>\$ 91,982</u>

NOTE 9 – 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, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF IVA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2017

Note 1 – Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and a fund’s basis of accounting. A budget is adopted for the general fund. The Town has also adopted a budget for the proprietary funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances in the fund equity section of the balance sheet and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The town has elected not to use encumbrance accounting due to its small size.

Prior to June 1st of each year, all departments of the government submit requests for appropriation to the Town so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The council holds two public hearings on the annual budget which must be prepared and adopted by no later than the last day of June.

Note 2 – Excess of Expenditures over Appropriations

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriate amount) is established on the budget as a whole.

Fund	Budgeted Expenditures	Actual Expenditures	Difference
General Fund	\$ 916,060	\$ 1,016,770	\$ (100,710)
Hospitality Tax Fund	59,500	53,740	5,760
Proprietary Fund	647,278	773,397	(126,119)

No budgetary amendments were made by council during the year.

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 426,980	\$ 426,980	\$ 426,965	\$ (15)
Intergovernmental Revenue	246,030	246,030	277,432	31,402
Payment in Lieu of Taxes and Franchise Fees	76,300	76,300	119,947	43,647
Licenses, Permits and Fees	86,500	86,500	119,160	32,660
Fines and Forfeitures	41,000	41,000	51,443	10,443
Interest Income	150	150	9	(141)
Miscellaneous and Other	39,100	39,100	35,804	(3,296)
Total Local Revenues	<u>916,060</u>	<u>916,060</u>	<u>1,030,760</u>	<u>114,700</u>
EXPENDITURES				
CURRENT OPERATING:				
General Administration	356,810	356,810	326,530	30,280
Public Safety	519,950	519,950	644,727	(124,777)
Recreation and Tourism	-	-	4,750	(4,750)
DEBT SERVICE:				
Principal	15,000	15,000	29,099	(14,099)
Interest	5,800	5,800	11,664	(5,864)
Capital Expenditures	18,500	18,500	-	18,500
TOTAL EXPENDITURES	<u>916,060</u>	<u>916,060</u>	<u>1,016,770</u>	<u>(100,710)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	13,990	13,990
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	-	-	11,991	11,991
Interfund Transfers (Out)	-	-	(79,991)	(79,991)
Other Financing Sources	-	-	75,000	75,000
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
NET CHANGE IN FUND BALANCES	-	-	20,990	20,990
FUND BALANCES - BEGINNING	<u>(42,181)</u>	<u>(42,181)</u>	<u>(42,181)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (42,181)</u>	<u>\$ (42,181)</u>	<u>\$ (21,191)</u>	<u>\$ 20,990</u>

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

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Hospitality Tax	\$ 53,000	\$ 53,000	\$ 56,917	\$ 3,917
Farmer's Market Fees	6,500	6,500	-	(6,500)
TOTAL REVENUES	59,500	59,500	56,917	(2,583)
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	35,500	35,500	28,381	7,119
DEBT SERVICE:				
Principal	17,000	17,000	20,595	(3,595)
Interest	7,000	7,000	4,764	2,236
Capital Expenditures	-	-	-	-
TOTAL EXPENDITURES	59,500	59,500	53,740	5,760
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	3,177	3,177
OTHER FINANCING SOURCES AND (USES)				
Transfers	-	-	(3,177)	3,177
TOTAL OTHER FINANCING SOURCES AND (USES)	-	-	(3,177)	3,177
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	4,925	4,925	4,925	-
FUND BALANCES - ENDING	\$ 4,925	\$ 4,925	\$ 4,925	\$ -

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

TOWN OF IVA

REQUIRED SUPPLEMENTAL INFORMATION

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

JUNE 30, 2017

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

	SCRS		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability (asset)	0.001417%	0.001417%	0.001696%
Town's proportion share of the net pension liability (asset)	\$ 302,669	\$ 268,741	\$ 304,202
Town's covered payroll	\$ 165,725	\$ 139,060	\$ 138,274
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	182.63%	193.26%	220.00%
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.90%

	PORS		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability (asset)	0.02699%	0.01771%	0.01404%
Town's proportion share of the net pension liability (asset)	\$ 684,518	\$ 386,054	\$ 290,962
Town's covered payroll	\$ 338,216	\$ 354,365	\$ 266,884
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	202.39%	108.94%	109.02%
Plan fiduciary net position as a percentage of the total pension liability	60.40%	64.60%	67.50%

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

	SCRS		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 18,909	\$ 11,280	\$ 11,031
Contributions in relation to the contractually required contribution	(18,909)	(11,280)	(11,031)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 163,573	\$ 101,989	\$ 101,202
Contributions as a percentage of covered payroll	11.56%	11.06%	10.90%

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

SUPPLEMENTAL INFORMATION

TOWN OF IVA, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES				
Charges for Sales and Services	\$ 631,800	\$ 631,800	\$ 519,041	\$ (112,759)
Tap Fees	5,000	5,000	-	(5,000)
Miscellaneous Income	-	-	294	294
Grave Openings and Closing	35,000	35,000	30,810	(4,190)
Sale of Graves and Markers	27,500	27,500	23,648	(3,852)
TOTAL OPERATING REVENUES	<u>699,300</u>	<u>699,300</u>	<u>573,793</u>	<u>(125,507)</u>
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	128,220	128,220	100,915	27,305
Contractual Services, Materials and Supplies	519,058	519,058	537,703	(18,645)
Depreciation Expense	-	-	134,779	(134,779)
TOTAL OPERATING EXPENSES	<u>647,278</u>	<u>647,278</u>	<u>773,397</u>	<u>(126,119)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	30	30	-	(30)
Interest Expense	(24,000)	(24,000)	(23,290)	710
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(23,970)</u>	<u>(23,970)</u>	<u>(23,290)</u>	<u>680</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	28,052	28,052	(222,894)	(250,946)
Capital Contribution	-	-	609,171	609,171
Transfers	(28,052)	(28,052)	64,895	92,947
NET CHANGE IN NET POSITION	-	-	451,172	451,172
NET POSITION - BEGINNING	<u>2,476,833</u>	<u>2,476,833</u>	<u>2,476,833</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 2,476,833</u>	<u>\$ 2,476,833</u>	<u>\$ 2,928,005</u>	<u>\$ 451,172</u>

TOWN OF IVA, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2017

Court Fines and Assessments

Court Fines and Assessments Collected	\$ 69,505
Court Fines and Assessments Retained by the Town	(35,968)
Total Court Fines and Assessments Remitted to the State Treasurer	<u>\$ 33,537</u>

Court Surcharges

Court Surcharges Collected	\$ 10,736
Total Court Surcharges Remitted to State Treasurer	<u>\$ 10,736</u>

Victims Fund

Funds Available for Carryforward, Beginning of Year	\$ -
Court Assessments Allocated to Victim Assistance Fund - Current Year	6,282
Victim Assistance Fund Expenditures	(6,282)
Funds Available for Carryforward, End of Year	<u>\$ -</u>